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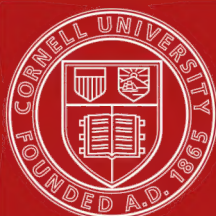


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# REPORT

OF THE

*U.S. Congress*

## SENATE SELECT COMMITTEE

ON

# INTERSTATE COMMERCE.

(TESTIMONY.)

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FORTY-NINTH CONGRESS, FIRST SESSION.—SUBMITTED TO THE  
SENATE JANUARY 18, 1886.

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WASHINGTON:  
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# TESTIMONY

AS TO

THE REGULATION OF INTERSTATE COMMERCE BY CONGRESS

TAKEN BEFORE

THE SENATE SELECT COMMITTEE ON INTERSTATE COMMERCE.

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NEW YORK, *May 20, 1885.*

The committee met at 10 a. m.

Present, the chairman (Senator Cullom) and Senators Miller, of New York, Platt, Gorman, and Harris.

The CHAIRMAN. Gentlemen of the committee, we will now proceed with our business. The clerk will read the resolution under which we are convened, so that the gentlemen appearing before us may understand what it is.

The clerk thereupon read the resolution adopted by the Senate March 17, 1885, as follows :

*Resolved*, That a select committee of five Senators be appointed to investigate and report upon the subject of the regulation of the transportation by railroad and water routes in connection or in competition with said railroads of freights and passengers between the several States, with authority to sit during the recess of Congress, and with power to summon witnesses and to do whatever is necessary for a full examination of the subject, and report to the Senate on or before the second Monday of December next. Said committee shall have power to appoint a clerk and stenographer, and the expenses of such investigation shall be paid from the appropriation for expenses of inquiries and investigations ordered by the Senate.

The CHAIRMAN. That is the resolution under which we are sitting, gentlemen, and the purpose of the investigation is to ascertain, if we can, what sort of legislation is best in the interest of the country looking to the regulation of commerce among the States. We have invited the board of railroad commissioners of the State of New York to be present this morning, and we shall now hear either of them or all of them if they wish to present their views.

## THE COMMITTEE'S CIRCULAR.

Senator PLATT. I suggest the reading of the circular containing the interrogatories prepared by the committee.

The CHAIRMAN. The circular containing the questions will be read, and then the gentlemen can take up the subject in their own way, and answer the questions there propounded, and any others that we may wish to put.

The clerk thereupon read the following circular, heretofore prepared by the committee, and addressed to various persons supposed to be interested in or connected with interstate commerce:

[United States Senate, Select Committee on Interstate Commerce. Committee, Shelby M. Cullom, Warner Miller, Orville H. Platt, Arthur P. Gorman, Isham G. Harris.]

WASHINGTON, April 10, 1885.

DEAR SIR: A select committee has been appointed by the United States Senate to investigate the questions involved in the regulation of interstate commerce by Congress, and has been especially instructed to investigate and report upon the subject of the regulation of the transportation of freights and passengers between the several States by railroads and by water routes in connection or in competition with said railroads.

In carrying out these instructions the committee propose to take testimony at some of the commercial centers of the country, and to give representatives of every interest affected an opportunity to be fully and fairly heard; and in order to make the testimony taken as valuable and compact as possible, it is desired that the various organizations, associations, corporations, and branches of trade and production concerned in legislation upon this subject shall officially authorize one or more persons to represent them before the committee and present their views either in person or in writing.

As the chief object of this investigation is to obtain information that will be of practical value to Congress in framing legislation for the regulation of commerce between the several States, it has been deemed advisable to direct the attention of those willing to aid the committee in its undertaking to the line of investigation which it is proposed to pursue and to some of the subjects upon which information is especially desired.

The general purpose of the investigation is to ascertain what substantial grounds of complaint now exist in any part of the United States as to the methods of operation of transportation companies engaged in interstate commerce, and as to their relations with those who have dealings with them, and to what extent and in what manner legislation by Congress can remove these grounds of complaint.

This inquiry will involve the consideration of a number of incidental questions that may be briefly outlined as follows:

1. The best method of preventing the practice of extortion and unjust discrimination by corporations engaged in interstate commerce.

2. The reasonableness of the rates now charged by such corporations for local and through traffic.

3. Whether publicity of rates should be required by law; whether changes of rates without public notice should be prohibited, and the best method of securing uniformity and stability of rates.

4. The advisability of establishing a system of maximum and minimum rates for the transportation of interstate commerce.

5. The elements of cost, the conditions of business, and the other factors that should be considered in fixing the tariffs on interstate traffic.

6. Should any system of rebates and drawbacks be allowed? If so, should such transactions be regulated by law, and be subject to official inspection or approval? Or should they be entirely prohibited?

7. Should pooling contracts and agreements between railroads doing an interstate business be permitted, or should they be entirely prohibited by law? If they should be regulated by law, would it be sufficient to require the terms of such agreements to be made public and subject to official approval?

8. Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?

9. By what method can a uniform system of rates for the transportation of passengers and freights by all the corporations engaged in interstate commerce be best secured?

10. Should corporations engaged in interstate commerce be permitted to charge a lower proportionate rate for a long than for a short haul? Does the public interest require any legislation on that subject?

11. Should any concessions in rates be allowed to large shippers except such as represent the actual difference in the expense of handling large shipments over small shipments, and should such concessions be made known to the public?

12. Should corporations engaged in interstate commerce be required to adopt a uniform system of accounts?

13. Is it desirable that such corporations should be required to make annual reports to the Government? If so, what information as to their earnings, expenses, and operations should such reports contain?

14. In making provision for securing cheap transportation, is it or is it not important that the Government should develop and maintain a system of water routes?

15. In what manner can legislation for the regulation of interstate commerce be best enforced? Should a commission or other special tribunal be established to carry out the provisions of any law Congress may enact?

The committee will not be prepared to hold formal sessions to take testimony for several weeks yet. In the mean time attention to this circular is respectfully requested, and it will greatly facilitate the work of the committee if those to whom this circular is addressed will submit in writing their views in relation to the subjects covered by the above inquiries, and forward them to the chairman at Springfield, Ill., as soon as convenient before the 16th of May next.

Respectfully,

S. M. CULLOM,  
*Chairman.*

#### NEW YORK RAILROAD COMMISSIONERS.

The board of railroad commissioners of the State of New York, consisting of Mr. John D. Kernan (chairman) and Mr. William E. Rogers and Mr. John O'Donnell, appeared before the committee.

The CHAIRMAN. You have heard read the circular issued by this committee, gentlemen, and now we shall be glad to hear from each of you, if you desire to be heard, on the subject-matter of this investigation.

Mr. O'DONNELL. As the New York commission is divided upon the question of interstate commerce, and as I represent the minority and the other members represent the majority, I suggest that the chairman proceed and give his views.

#### JOHN D. KERNAN'S STATEMENT.

John D. Kernan, chairman of the board of railroad commissioners of New York, said:

I have first, Mr. Chairman and gentlemen of the committee, to thank you for the cordial invitation extended to the New York railroad commission to be present upon this occasion.

The subject under investigation has of late developed into one of the controlling and important questions before the country. Having received the invitation of the committee but a few days ago, it has not been possible for the board, as such, to formulate and present in answer to these inquiries a report covering the subject and presenting its views as a body.

As I look over the questions suggested, I am reminded that at one time or another in our experience as a board we have met these questions in some of their aspects, and it has been our official duty to a greater or less extent to discuss them; but at this time the board is not prepared to do more than to informally present, through its individual members, the views entertained upon the matters suggested by your inquiries.

The regulation of interstate commerce has been a matter of thought and of extensive agitation throughout the country, and the views arrived at, as a general rule, are largely governed by the local surroundings and position of those examining the question; and the country is to be congratulated that the United States Senate, a body capable of dealing with this question in its broad aspect as a whole, has undertaken the important work of gathering facts and information, to the end that statutory regulation of interstate commerce may proceed intelligently, and may be based upon just and correct principles.

My colleagues upon the commission have each of them given to this

question examination, and, as must invariably result from the intricate nature of the subject, we are not always agreed precisely as to just what ought to be done either by the State or by the nation towards the solving of the problem. In order to give my colleagues the opportunity of presenting their views to you upon the question, I first have the pleasure of introducing Mr. Rogers.

Mr. ROGERS. Let me suggest that the chairman of our commission first present his views.

Mr. KERNAN (to Mr. Rogers and Mr. O'Donnell). I think, perhaps, it would simplify the matter if each of you first discussed the subject. All I could do would be to take the questions up and present what the board has done.

The CHAIRMAN. We shall be glad to hear you, Mr. Kernan, in any way you see proper to discuss the subject.

Mr. ROGERS. I think it would be well for the chairman of our commission to take up and meet the questions propounded in the circular, and if Mr. O'Donnell or myself should wish to supplement the statement of our chairman by further remarks, the committee will not object to hearing us.

The CHAIRMAN. We shall be very glad to hear any discussion or remarks or information you may give us in reference to the action of your board in relation to your State matters.

Senator HARRIS. I was going to suggest that, if it suits the convenience of Mr. Kernan, he not only inform us what the State board has done in the regulation of State commerce, but in connection therewith give such views as he may entertain as to what the Federal Government should do in the line of regulating interstate commerce, and then, so far as there are conflicting views, I should be glad, so far as I am concerned, to hear each member of the commission.

Mr. KERNAN. Very well, gentlemen. It then would, perhaps, be well for me to first call your attention to the act of 1882, chapter 353, under which this board was created, and to suggest the principles which governed this State in its legislation, the extent of power vested in the board, and in a general way to indicate the action taken by the board under the power conferred.

Under the act of this State the power of the board is that of an investigating and advisory body. We are directed in all matters connected with railroad management and transportation, and with the condition and operation of railroads, to keep ourselves fully informed and under the act are provided with abundant facilities and powers to that end. We are directed to report violations of law by any railroad corporation in the State to the attorney general, and he is to take such action as may be necessary for the protection of the public interests. We are also required to recommend that repairs be made where necessary; that additions to rolling stock, changes in stations or station-houses or additional terminal and other facilities shall be afforded where needed; also, that any changes in the rates of fare or freight be made wherever we deem it reasonable and expedient in order to promote the security, convenience, and accommodation of the public.

The CHAIRMAN. Do I understand you to say that you have the legal power to change the schedules?

Mr. KERNAN. No, sir; I say it is made our duty to recommend changes wherever in our judgment they are necessary.

Senator HARRIS. Suggest to the railroad companies, recommend to them, or to the legislature of the State.

Mr. KERNAN. Yes, sir; if railroads fail to comply with the recom-

recommendations of the board, then our duty is to report to the attorney-general the failure, and also to report the same facts in a special report to the legislature, and thereupon the attorney-general takes such action as by the laws of the State he is authorized to take, or the legislature, if the case be one demanding special legislation, proceeds to enact it.

Senator HARRIS. Have you any statute in your State compelling railroad companies to adopt the suggestions of your board?

Mr. KERNAN. I was just going to call your attention to that. Of course where we suggest a violation of a charter obligation or of a statute applicable to a railroad, the attorney-general proceeds for the violation of the statute or of the charter obligation. There is not in this act nor is there anywhere in the laws of our State any provision specifically making it the duty of railroad corporations to comply with the recommendations of the board. It would occur to a lawyer, however, that, from the fact that the board is invested with the power and the duty of making recommendations, perhaps it might result inferentially as matter of law that it becomes thereby the duty of railroads to comply with just and proper recommendations. Unless, however, such be the fact, there is not in our statute any compulsory provision making the recommendation of the board obligatory upon railroads. That question remains open in this State, and it is to be settled whether such an inference arises from the statute in the condition in which it stands.

The CHAIRMAN. So that the report of the Attorney-General would only be of account in the case of a violation of a specific statute?

Senator HARRIS. Or charter obligation?

Mr. KERNAN. That would clearly be so. Whether a recommendation of the board results under this statute in imposing a legal obligation to comply therewith in any case on the part of the railroad is an open question.

Senator HARRIS. And that question is now pending before your courts?

Mr. KERNAN. Yes, sir.

Mr. ROGERS. I think I, perhaps, should correct a misapprehension that seems to exist. The question is hardly pending before the courts. There is no case being tried where it can be specifically tested. The railroads with few exceptions, it may be said, have conformed to the recommendations of the board.

Mr. KERNAN. Some cases are before the Attorney-General where he has not yet commenced actions, but he is considering the advisability of so doing.

Senator HARRIS. At all events it is an open question down to this time?

Mr. KERNAN. Yes, sir. Another provision of the act is that we shall have control over the form of annual reports of railroad corporations. We prescribe changes as we may deem them proper in the forms heretofore existing, and under the new forms we have provided we think it is generally conceded that very satisfactory reports will be made by the railroads of this State. The form we have provided has been compiled from and is the result of a careful examination of all the reports made in the United States, and the selection from them all of the vital and best elements. The public as well as railroads seem to express satisfaction with the form we have adopted.

Other provisions of the act require railroads to furnish us information; to give us access to books, papers, &c.; to permit us at all times to

have access to their places of business, offices, cars, and depots. The act applies particularly to railroads. It has no application to warehouses nor to any other corporations except railroads and common carriers, except as follows:

The provisions of this act shall apply to all railroads and railways, and the corporations, receivers, trustees, directors, or others owning or operating the same, and also to all sleeping and drawing-room car companies or corporations and to all other associations, partnerships, companies, or corporations engaged in transporting passengers or freight upon any railway as lessees or otherwise.

Senator HARRIS. That includes all common carriers?

Mr. KERNAN. Engaged in transporting freights or passengers upon any railway in the State, not common carriers by water or by any other method than by rail.

Senator HARRIS. I did not notice that it was confined to railways.

Mr. KERNAN. During the first year of our proceedings we had many complaints made to us, involving a great many questions, and the decisions of the board were quite unanimous upon them. In but two or three cases did the railroads refuse to comply with the recommendations of the board. We had referred to us the first year by the legislature an act called the "pro rata freight act," to regulate transportation in this State, and designed to do it by providing that rates should be prorated for the transportation of freight. The board, in answer to that communication, sent to the State senate a report, and that report undertakes to give briefly a history of the efforts made in each of the United States and in foreign countries to regulate transportation. It opens by a discussion of the relation between Governments and railroads, of the principles which have become settled, of the extent of the right and duty of the State or Government toward the people in protecting them from railroad extortion and discrimination, as well as the duty owed by the Government to the investors, managers, and proprietors of railroads, and then, under six different heads, we undertake to state the different methods by which Government has sought to secure for the people the fulfillment of corporate obligations and the correction of corporate abuses. They are as follows:

The policy of non interference is usually the first method adopted by the State toward railroad corporations. The principles of the common law had always served to restrain the common carrier, by wagon or by boat, from extortion, to protect the public against abuses, and to regulate sufficiently the transportation of persons and property. In passing railroad charters at an early day, when railroads were desired and every facility to them was afforded, it was generally believed that those same principles of the common law would sufficiently regulate them. As these corporations grew to gigantic proportions it was found that the principles of the common law no longer were sufficient for the purpose of protecting the people from corporation abuses, and then came a reaction, more particularly observable throughout the West, where abuses had become most flagrant. This may be called the period of specific and penal legislation. Groaning under what they believed to be abuses on the part of the railroads, the people, in a frenzy of anger, passed to the extreme stage of penal and specific statutes designed to fix rates and to impose penalties for violations. We then give the history of such legislation and its results in Michigan, Illinois, Ohio, Iowa, Minnesota, Missouri, Kansas, and Virginia. The conclusion we reached was that this policy had been a failure; that it had failed to accomplish the designs of the statutes; that the subject is one which forbids specific legislation; that its vast extent and its intricate details are



such that an inflexible statute fails to meet the every-day demands of business; fails to permit those changes in tariffs and classifications which must be made in order that transportation may be sufficiently free to meet the demands upon it, and that, therefore, in all of those States substantially, perhaps with one or two exceptions, the experiment had to be abandoned.

Then we discussed the question of maximum rate laws, which I see is covered by one of your interrogatories, and we reached the conclusion that maximum rate laws are really of very little use for the reasons that maximum rates are always high rates, and whether roads be treated as a class, or in groups, according to earnings, as has been done in some of the Western States, such rates can only justly be based upon the financial requirements of the poorest roads. Whenever fixed by statute they must be high enough to cover the most expensive view of the question. Many roads would not dare attempt to enforce them, because at less rates their volume of business would yield a reasonable profit; more than this their shippers would not tolerate, and perhaps they even could not, at times and under peculiar circumstances bear. Hence while a maximum rate may be recognized as a protection against excessive charges, at a point sufficiently high to enable the poorest road in the community or in the group to make the earning which the law permits, is a high rate for roads with a larger volume of business. The rate of 3 cents a mile in this State has been enforced since 1850 under the general act.

Senator HARRIS. Passenger rate?

Mr. KERNAN. Passenger rate. That is the only maximum rate we have ever attempted, and that has been enforced under that statute.

Senator PLATT. It excepts the New York Central, does it not?

Mr. KERNAN. Yes, sir, under special charter provisions. The rate of 3 cents per mile upon a favorably located, cheaply constructed, and easily operated road, encountering no canal competition and no snow or floods may pay a dividend, while to a road not favored in these particulars it would mean bankruptcy. Hence in this State while we have had the general maximum rate law of 3 cents a mile, the legislature has been constantly appealed to and has in many instances permitted rates as high as 5 and 6 cents a mile because of the fact that the maximum rate was not sufficiently high under the circumstances governing the traffic of particular roads to enable them to make that which the law permits. While we concede that a maximum rate may have some benefit, yet it really serves but a slight practical purpose.

The CHAIRMAN. Would it not in some instances possibly be taken advantage of and those roads that can afford to carry freight cheaper put it up to the higher rate because the law allowed them to do so?

Mr. KERNAN. Yes, sir; that we discovered here.

Senator PLATT. You have no maximum freight rate in your State; it is merely for passengers?

Mr. KERNAN. No, sir; in our report we say—

Such laws—

That is, maximum rate laws—

frequently force the public to accept inferior accommodations and poor service from roads thereby placed at disadvantage. The demand of the public seems to be that the standard of service and the rates therefor shall be based on the living requirements of the best and most prosperous roads. Statutes springing from such a public opinion are frequently the effective weapons of the strong against the weaker roads, and tend to prevent, rather than encourage, competitive progress. Such a law enables one road without competition, with extensive travel, and with favorable grades

and curves, to grow rich, while others less favorably situated are, under it, compelled to be common carriers at small profit. Special statutes have been from time to time enacted in this State to relieve some roads from the maximum passenger-rate law, and thus the practical difficulty of such an enactment has been demonstrated even when applied to passenger traffic. Were the letter of the statute enforced, it would require the suburban every-day traveler to and from his home to pay precisely the same as he who rides but once a year. A railroad which should insist on this policy would be guilty of an unjust discrimination, because a concession to a regular traveler, as against the occasional one, is deemed proper by every one. For regular travelers there are commutation, monthly, or quarterly tickets at rates far below the equal mileage rate fixed by law. Thus it appears how at all times there are forces stronger than such laws, to which the railroads must yield, if they would increase their business and their earnings. The railroads of this State entitled to charge 3 cents or more per mile, owing to these circumstances, earn but 2.14 cents per mile.

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Nevertheless the equal mileage rate statute is now a wise one to retain in this State. To consider it as an original proposition is one thing; to regard it, however, as a law in force for many years is another. After a system has grown up and adapted itself to such a statute its defects are practically remedied, and it would be unwise to disturb the stable condition established under its provisions. There are places to which it furnishes protection, though there may be many others where its provisions are not needed. Why would not such a statute produce the same result for freight rates? Among the reasons urged are these: Passenger and freight transportation radically differ. Passenger short distance travel is a fixed quantity for which railroads can calculate the exact facilities required. It loads itself on to the train on time; it unloads itself. It concentrates itself at times and places so as to furnish to the railroad the business of carriage under the most favorable circumstances with the minimum of delay and expense. For opposite reasons short distance freight is the most expensive that railroads handle. Whether going 10 or 100 miles the loading, unloading, and storing, switching, and car delay expense is the same. The expense is but little in the haul and is much in the handling. Freight has also to pay its share of so-called fixed charges, and on a haul of a few miles it realizes but little toward these per ton per mile. If when once loaded it can remain for the trip of the engine and crew, the ratio of expense per ton per mile decreases, and the profit in the work, while it continues in motion, rapidly accumulates. It follows that an equal mileage maximum rate law is generally too low on short distance freight and too high on long distance freight.

Then we discuss the matter of a pro rata freight law. It is hardly worth while to say anything about that except that this sort of legislation, at one time in such vogue throughout the country, has now by universal concession become obsolete. You cannot pro rate freight charges. If you start, for instance, from New York and fix your rate for a 50-mile haul at a fair rate for that service, your increase by pro rata stages to Buffalo, a distance of 450 miles, will result at Buffalo in a rate which would drive through business out of the State and deprive local shippers of the New York market. If you reverse the experiment and start at Buffalo with a fair rate, the pro rata charge for 50 or 100 miles would be concededly below the cost of the service.

The third method which we discuss is the delegation of the rate-fixing power to commissions instead of having it fixed by legislative statute, and then we note the operation of this policy in the States where it has been adopted. Georgia is one of the best examples, where the system has been put to the most thorough test, and where perhaps the power vested in the commission has been exercised in the most judicial and in the fairest manner of any of the States where it has been tried. We reach the conclusion, however, that although it is a great improvement on legislative rate-fixing statutes, it has not been such a success as would warrant its application in our State.

Senator HARRIS. You mean giving to a commission the power to fix rates?

Mr. KERNAN. Yes, sir; we do not think that would answer.

Senator HARRIS. If I understand you, you do not think that the legislative fixing of rates would be at all safe?

Mr. KERNAN. I do not.

Senator HARRIS. Nor that it would be safe to give the power to a commission to fix rates?

Mr. KERNAN. No, sir. I think I express the views of the board in answering that question by reading a short extract:

*Is the policy of specific legislation a wise one?*

The foregoing are the principal States—

These are the States to which I just now alluded—

in which the experiment has been tried of prescribing rates by statute, and of compelling the compliance with the statute by penal and other severe methods. State supervision, through laws of this character, is now generally conceded to be fruitless or beneficial results. A statute can fix the rights and duties of citizens as such; it can define crime in individuals; it can prescribe the requisites of a deed or will; it can regulate, to some extent, the action of corporations or municipal bodies. Why not then regulate and control railroad classifications and freights with equal distinctness and success? The reason seems to be because they relate to and are a part of and share in the vicissitudes and disturbances of business. An effort would be similar, which should seek to prescribe the maximum or minimum prices of goods, or to regulate the value of wheat, permitting no flexibility in the statute to meet the disturbances caused by the variations in crops or the demand abroad. In such a statute flexibility is wanting to meet panics, railroad wars with lines outside of the State, and the thousand and one unexpected occurrences to which a tariff must instantly yield or injure some one. Transportation rates vary and sympathize with, and to a large extent depend upon, facts which arise to affect any industry or business in which transportation plays a considerable part. The inflexible statute is a failure as the agent of the State and people, for these reasons, among many others.

The CHAIRMAN. In what you say there, of course you were having in view the interests of your own State?

Mr. KERNAN. Yes, sir.

The CHAIRMAN. Is your view the same as applicable to legislation by the General Government?

Mr. KERNAN. Yes, sir; though the subject when you approach it from the standpoint you suggest is one of larger proportions, involving more of the difficulties that I suggest as standing in the way of State legislation. My own individual opinion would be that the difficulty would increase in proposing a statute sufficiently comprehensive, sufficiently sympathetic with the needs and requirements of interstate commercial transportation to be available or practicable. Your railroad puts in operation a distasteful statute of that character in precisely such a way as to make it most onerous upon shippers and their business. If you attempt to curb railroads by such legislation they of course seek to bring opprobrium and discredit upon the law by putting it in force in those objectionable features which bear most heavily upon the business of shippers in order to arouse that kind of sentiment which votes the law to be a failure, and thus the call for its repeal or modification will come from those for whose benefit it was designed. It is impossible in view of the magnitude of the subject to deal with it properly by specific legislation, and that is illustrated in a thousand ways. Here we have, for instance, a trunk-line pool, which combines in it the capital substantially of the trunk lines of the country, and which has at its command the railroad ability of the country, and yet in dealing with this transportation question we see their agreements are utter failures at times. Now, if when they seek to establish rules and regulations for the protection of themselves they fail, it becomes pertinent to ask how can the legislature, which has not only the duty of establishing by specific legislation of this character rules which shall protect the railroads but which shall also couple with that regulation

rules to protect the public interests, how, I ask, can it expect successfully to adopt the policy of specifically by law fixing classifications and rates?

We say the delegation of the rate-fixing power to commissions is certainly a vast improvement, and the reason for it is very obvious. The delegation to a commission permits thorough study and knowledge of the question to precede action. A board always in session and accessible to all concerned can speedily, and as required by emergency, change and modify the prescribed schedules and rates. One can see that where railroads start and grow up under this kind of supervision, the principles become settled, the roads grow into conformity therewith gradually, and harmony may be the result, but we did not think in this State that it was advisable to request that to our commission should be granted this power.

We, in the next place, examine in this report the foreign system of direct state control through the executive, which is the system in Germany and in France. There the executive controls and regulates rates and classifications.

The CHAIRMAN. And in part owns the roads?

Mr. KERNAN. Yes, sir; in many of the States. The result of that system they seem to think abroad in some of the discussions is that the State will have to own all the roads; in other words, that private corporations cannot compete with the State, and the result is, then, that the State has to acquire more and more of the railroad property of the country. In France they proceed upon precisely the opposite theory that we have always adopted in America. They prevent competition in the start. They give each railroad a line and that line is exclusive. They permit no other road to run in competition with it, and each in its classification and rates is under the direct control of the Government as to the maximum of rates.

The CHAIRMAN. And the Government regulates its charges?

Mr. KERNAN. And regulates its charges. The companies may give special rates, &c., subject to the following rates:

1. No more charge for less than for a greater distance.
2. No discrimination between persons under similar circumstances.
3. No changes in rates except after specific public notice and upon approval of minister of public works.

Senator PLATT. Have you studied this question enough so that you can express an opinion as to whether the public is better served in the United States or in foreign countries in regard to passenger and freight rates?

Mr. KERNAN. I think it is pretty universally conceded that as rates are to day the rates in this country are cheaper for transportation than they are abroad. I think that may be accepted as a fact.

Senator GORMAN. Do you speak of through or local rates?

Mr. KERNAN. I was speaking more particularly of through rates. It is quite impossible to make a comparison of local rates, although I think the opinion is that local rates in this country, except perhaps in the extreme West, are more favorable than they are abroad.

Another system which is suggested in the report and discussed is that of partial State ownership. Massachusetts took great interest in this system, and you will find in the first six or seven volumes of the Massachusetts reports that the board of railroad commissioners persisted in urging this policy as the true solution of the question. Thus the State can set up the standard of service that the people require. The people own the road, and they can prescribe the requisites of common-carrier

service that they think fair and proper and railroads in competition owned by private individuals must conform to that standard. We reached the conclusion, as they did in Massachusetts, that in this country under our form of government it is utterly impracticable to think of the idea of the State entering largely into the ownership and management of railroads. Political management of railroads would be of itself a danger great enough to expose the experiment to disaster. A railroad to be successful must be managed in a thoroughly businesslike manner, and under our changes of administration and of policy with each succeeding election, it would be impossible to conduct the experiment in the way they can abroad, and therefore we think it impracticable.

We then discuss the investigation through boards of railroad commissioners and the enforcement of their recommendations through enlightened public opinion. That is the basis of the act of New York, as I have stated to you. The design is that public opinion being enlightened by the investigations of the board upon every question relating to railroad transportation, will bring itself to bear with such force in favor of the adoption of such recommendations as are just and reasonable as shall compel railroads to acquiesce therein; that thus remedies will be found for evils existing, and that the improvements desired can be emphatically suggested and enforced by the people through their representatives upon the board. This system has been regarded as a success in Massachusetts.

Our decisions upon various questions coming before the board in  
volve—

Senator HARRIS. Before you proceed with those decisions in detail, allow me to inquire if I am right in understanding you to say that in your opinion no legislation looking to the regulation of common carriers of these classes would be wise which went further than the creation of a commission clothed with power to investigate and advise or recommend?

Mr. KERNAN. Such is not entirely the conclusion that I have now reached. I was simply calling your attention to this report, which was made a year ago, in which we undertook to start, as you gentlemen undoubtedly have attempted to begin your investigation of the question, by stating in precise form what has been done in various countries and in various States of the United States by the Government in the way of attempts to carry out the Governmental duty of protecting railroads in their rights and at the same time of protecting the people against their unjust discriminations and actions. This report was written for the purpose of just stating the position of the question and the results of the various experiments; and what I have stated thus far has been the position that we then reached upon various points. We reached the conclusion that penal legislation had been a failure, that the delegation of the rate-fixing power to commissions was not a system which could be applied to so vast a transportation as that of the State of New York, although it might successfully be put in operation in smaller States, where the question was less complicated and where there was less of it, or where the railroads started and grew up under the system; and further, that the best system developed in different countries up to that time was the investigation through boards of railroad commissioners and the enforcement of their conclusions through enlightened public opinion.

Now, then, we go on to discuss another point which lies at the foundation of the questions before you gentlemen, and that is the subject of

pools. The entire interstate commerce of the United States to-day is controlled and regulated by the trunk-line pools. That is the agency which is now attempting to discharge the governmental duty of protecting the people from unjust discriminations, &c.—a self appointed agency, without having in it any representation on the part of the people, formed entirely by the corporations who may be said to be but one party where at least two should be represented. This agency is one whose natural interest would be rather to favor the railroad interests in fixing rates and classifications than to consider both interests, to wit, the people's interest as well as that of the railroads.

Senator PLATT. Wait one moment, please. Would it not be a good idea to get in here, if Mr. Kernan can state it, just exactly what a pool is?

The CHAIRMAN. We should be glad to have you state your understanding in full of the pool question.

Senator PLATT. In a general way please state what a pool is.

Mr. KERNAN. We say in our report:

The entire through business of the United States to the Atlantic sea-board north of and including Baltimore is to-day substantially controlled by what is popularly known as the "trunk line pool." This combination is composed of the trunk lines to New York, Philadelphia, Baltimore, and Boston, and their western connections, extending to all the important trade centers of the West and Southwest.

The original agreements were made in 1877, and have been modified from time to time. Those under which operations are now carried on were made in 1882. They purport to be "for the purpose of reducing the expenses incurred in the conduct of the competitive freight traffic, and to avoid ruinous competition between the railroad companies, and unjust discrimination between shippers inseparable therefrom."

Under these agreements the "through" freight and passenger earnings are divided in certain agreed percentages, such percentage of each road being the same as the proportion of the through business which that road carried in 1880, with such modifications as may be agreed upon or determined by arbitration.

In other words, in 1882, when they attempted to settle the basis of the division of through business, they said "we will go back to 1880, and we will give each of the lines entering into this combination as its right in this combination the same percentage of through freight which it carried in 1880;" and with some modifications that was adopted.

The division of the through freight and passenger earnings thus ascertained is to remain in force for five years. The trunk line executive committee or the board of arbitration may permit a readjustment of these percentages, should any change occur in the relations of the roads caused by the construction of competing roads, or extensions of existing roads, or additions thereto, or by the combination of old or new roads.

It is expressly agreed that no claim for a redivision shall be made or entertained that is based simply upon the actual tonnage and revenue received, be it more or less than the agreed percentages.

That was to discourage competitive effort to increase the tonnage carried beyond the percentage fixed by the agreement, and thus to threaten the stability of the pool, because if they could hold them to carrying the precise percentages, then the agreement would stand, but if a railroad succeeded in carrying a larger percentage through the year than that allowed to it, it would then become its interest to cease to be a member of the pool, or to insist that a readjustment of the percentages should be made.

A commissioner and a standing committee of the representatives of the different railroads constitute the executive machinery to carry out the agreements.

A board of arbitration is also provided, to which appeals can be had in cases of dispute, whose decision shall be final. The board consists of Charles Francis Adams, Jr., Thomas M. Cooley, and David A. Wells, all men of the very highest character, versed in railroad business and experienced in public affairs.

In case one road is offered more than its share it endeavors to turn it over to a road



that is getting less than its share. Under this arrangement each road agrees to act as the *forwarding* agent of the other, taking its proportion of the through rate of freight. At the end of the month, however, a computation is made of freight and passengers carried, and differences are settled by those roads who have carried in excess of their share, paying the agreed proportions to those who have carried less, the roads who have carried the excess being allowed 50 per cent. of the gross receipts as compensation for expense of carriage.

Senator PLATT. Do the roads that have carried more than their share pay to the roads which have carried less than their share the gross amount to which a road carrying a lesser proportion is entitled of the earnings upon it?

Mr. KERNAN. The profit goes to the road that has not had its share.

Senator PLATT. They do not pay the gross receipts?

Mr. KERNAN. This is not now a money pool. A money pool has been pronounced an entire failure. They say they cannot maintain a money pool. For instance, if the West Shore Railroad and the New York Central, running out of New York, were each to carry 50 per cent. of the business, if you provided that at the end of each month whichever road carried in excess of its share should pay the gross receipts, or should pay any fixed amount of money, should equalize by a money pool, what would be the result? The New York Central would say, "All right; we propose to get all this business, and if we can we will get 100 per cent., and we shall be very happy to pay the West Shore for four, five, or six months 50 or 60 per cent. as a penalty for what we receive for the extra 60 per cent. carried. The West Shore Railroad at the end of six months would be left without any freight to carry; we shall be in a position then to break the pool, as we have got all the business." No road can exist or run on any basis or idea except that of getting tonnage. Consequently the pool has developed into a system which seeks and insists upon equalizing tonnage, and at the end of a month if it is found that one road in the pool has carried more than its proportion of the tonnage and another road has carried less, then the edict of the pool is issued through its joint executive committee, formed, as I have stated, through its head, Mr. Fink, the chairman, by which the road which has carried an excess is required for the next month to turn over to the road which has carried less than its share so much tonnage in order to equalize the matter.

Senator HARRIS. That is simply turning over the business. Supposing the one road has carried 40 and the other 60 per cent. during the last month, what would be turned over to the road carrying the lesser amount?

Mr. KERNAN. If the agreed proportion was 50 per cent. each, then it would turn over enough so that for the two months each road would get 50 per cent. of the tonnage, and at the end of the second month it would be equalized.

We have had grievances before us from merchants of New York representing a capital, according to Dun & Co.'s agency, of over two hundred and fifty-odd millions of dollars of this nature. For instance, you want to ship goods to the West by the fast freight line, Merchant's Dispatch, running over the New York Central. Those goods are wanted in ten days by a merchant in the western part of New York or in Michigan. The West Shore takes them from the Merchant's Dispatch in order to equalize the business and get its percentage, because last month the Merchant's Dispatch carried in excess of its tonnage. You deliver your freight to the New York Central, wanting it to go by Merchant's Dispatch, but you are compelled under the pool arrangement and agreement to sign a shipping bill which permits them to make this diversion of the freight, and under that they divert your freight to the West Shore

road. The result was found to be that upon the West Shore road, it being a new road and not in thorough working order, that the freight which would be delivered in ten days by the other route, sometimes took forty-five days by the route to which it was diverted, and thus the shipper and the consignee were injured.

Mr. ROGERS. A statute was proposed to our legislature on the assumption that the State could regulate the question, but the New York Central Railroad came before the board and agreed with the complainants in that case that henceforth they would cease diversions of first-class freight, reserving the right to make such diversions as would be needed in cases where delay would not affect the shipper.

Senator PLATT. Let me inquire whether in the origin of this pooling arrangement there was any attempt to settle with money?

Mr. KERNAN. Yes, sir; the original pools were money pools, but they were failures.

Mr. ROGERS. Was not the pool of 1882 a money pool and the modification as to the diversion of freight subsequent to that, by which the company who took to exceed its share was to receive 50 per cent. of the gross receipts of excessive freight?

Mr. KERNAN. That was the penalty, I think.

Mr. ROGERS. Instead of controlling the diversion, as in late years, my impression is that the penalty was made 50 per cent.; that is, the company that took any excess of its share had to reimburse to the executive committee 50 per cent. of the freight.

Senator PLATT. However that may be, the result of your investigation of these matters leads you to the conclusion that a money pool is a failure.

Mr. KERNAN. Perhaps I ought not to say that, because I am simply stating the assertion of the railroads upon that question. I understand that to be so for the reasons that have been given to us by them, and which seem among railroad men to be generally accepted as true. I am not quite willing to say that a system might not be adopted which would make a money pool possible.

The CHAIRMAN. As a matter of fact they abandoned the money-pool system?

Mr. KERNAN. Yes, sir, for the reason that a road must have tonnage; it cannot run by simply being paid money and having its equipment laid up without business.

There are certain advantages to the shipper in the pool, and in many of its features the shippers of the United States approve of the professed objects of the pool—the stopping of unjust discriminations, the issuing of through bills of lading, that is, the enabling the shipper to have a through bill to any point in the United States, and to have each railroad in the line of transportation act as his forwarding agent.

The object of the discussion in our pro rata report was rather in another direction. The question we sought in that report to ascertain was the legal standing of the pool, and the result we reached was that as the pool stands to day it is not legally organized but it is outside of any law or statute, and we think it is attempting to discharge a duty of the State which has not been delegated to it, to wit, that of regulating interstate commerce. It perhaps in excuse may be said that it was a matter of necessity because the National Government had not taken action. We conclude the discussion of this question in this way, to which I call attention:

Unregulated competition between extensive railroad systems has proved to be an uncertain and precarious conservator of just, steady, and reasonable rates. Such competition invariably leads to railroad wars, to consequent instability and destructive

fluctuations, from which business and the community suffer almost as severely as the roads. Neither is the competition between the trunk lines, when unrestrained, confined within healthful limits by those great commercial forces which constantly are demanding uniformity and reliability in rates, as well as such cheapness as shall place our exports at trade centers on a competitive basis with other countries. Even water competition, so invaluable in fixing a maximum, does not by any means furnish a minimum below which rates cannot go in railroad wars. Hence unregulated competition between such forces as the trunk lines cannot be relied upon, or, indeed, be wisely permitted. The joint executive committee has assumed to regulate this competition without legal right. The trunk lines have undoubtedly been driven to the action they have taken by the neglect of Government to protect railroads and the community against the evil results of excessive and ruinous competition. While the end sought by the trunk lines may be proper and desirable, it is subversive of all ideas of government and may as likely lead to great abuses as to great benefits if they are thus permitted to assume rights and duties of regulation not given to them, but vested in and to be exercised by the State or nation as jurisdiction may lie.

Many apprehend grave danger from such a growth as the trunk-line pool has attained and will result in, unless it be the creation of the law-making power and subject thereto. It makes no difference that the pool admits that it possesses and exercises no legal powers and can do nothing to enforce its decrees. The wrong in the matter is, that the corporations composing it have no right to set up such an organization for any professed purpose, good or bad, unless by virtue of expressed or implied legal authority. Railroads, as well as the community, have a right to demand of the State adequate protection against railroad wars, induced by a violation of the laws of healthful and proper competition. If, as all assume, it is the duty of the State to preserve and maintain competition between railroads, it would as well seem to be the duty of the State to restrain it within proper and beneficial limits, and to protect the community and the railroads from a competition either excessive or injurious.

And here is an idea to which I want to call your attention. Every trunk-line railroad was incorporated under a charter which proceeded upon the idea that the public would be protected in the service rendered, and would secure adequate, complete, and proper service and reasonable charges by permitting the principle of competition with other railroads and water routes alone to regulate the matter. The result has shown that that idea is a failure, for the reason that competition results either in disastrous railroad wars or in these combinations. The low rates which come periodically and spasmodically to the community through those wars are now recognized as not beneficial to business. A fair rate, easily and always ascertainable and fixed, is better for business and the community than the fluctuation which results from unregulated competition; and our idea was to suggest that if the State undertakes to discharge its duty towards the citizen, of securing for him adequate railroad service at reasonable rates by placing at the basis of railroad charters the principle of competition between the roads, it is the duty of the State to see that that competition is regulated and not carried to an undue or excessive extent, because, if so, it becomes then an injury to business as well as to railroads and fails to accomplish the object designed in placing it at the basis of its railroad legislation.

Governmental action would protect the citizen from the serious defects of the present pool.

These defects I want to call your attention to—

One of these is a vital defect. It is the inherent weakness of the pool to legally maintain any rules or enforce any decisions. The courts are closed to this combination.

The pool cannot maintain an action in any court of the United States to-day, because the pool is at law to-day an illegal conspiracy existing without right and having no power under its charter or under any statute.

It is powerful so long as an opponent or a refractory member does not seek the courts; it is helpless and unrecognized, even in defense of a right decision, when therein assailed. Another vital defect is its lack of a stable character. Only so long as their interests concur will the trunk lines maintain the present pool.

And that is wherein lies the wrong of relying on the part of the Government upon the pool to carry out its professed object of securing the people from unjust discriminations. The pool will protect the people from unjust discrimination so long as it is for the interests of the lines composing the pool to do it, but as there is no representation in its management on the part of the people, there is danger that at times the joint executive committee will rather regard the private interests which they represent than the just demands of shippers for adequate service and reasonable rules, regulations, and charges.

I again quote:

Only so long as their interests concur will the trunk lines maintain the present pool. It, therefore, promises no permanency, and is liable to fall to pieces at any time—

As it has done since this report was written.

Again we say:

Ought we to rely for the preservation of our rights as railroad owners, and as a business community, upon a compact legally binding upon no one, and incapable of being enforced through the judicial tribunals of the country?

A legal organization of railroad representatives to fix through rates and classifications, under suitable restrictions against their being unjust or unreasonable, and to thereby eliminate ruinous and preserve healthful competition, is desirable and, indeed, has become a public necessity between the trunk lines and their connections. In seeking to develop such an organization we can with profit examine the English "clearing house," established under the act of 1850, and the supplementary legislation appointing government commissioners, not to fix rates, but to maintain a constant scrutiny over them, and to arbitrate differences.

That is what we had to say in reference to pools at that time, and in thinking upon the subject, my own views have further resulted in believing that some organization or association among trunk lines carrying to competitive centers and points should be permitted and legalized, that in the legislation directed to that end the people should be protected by provisions somewhat of the following character:

In the first place, all rates established by pools, as popularly called, or by the associations permitted, should be public and open. Here, as in England and other countries tariffs should be published, and changes in them should not be permitted except upon a certain specified notice.

There is an objection to this, I know, which deserves consideration, and that is that it is impossible to have a tariff which must be maintained for any length of time before it can be changed under such a notice. Emergencies may occur which demand a quicker change than the period fixed by statute would allow, but I think that difficulty would not be sufficient to forbid in a statute of this character the requirement that tariffs and classifications should be published and open, and should not be subject to change except upon specific legal notice.

Senator HARRIS. About what notice?

Mr. KERNAN. I have not gone far enough in examining the different statutes to reach a conclusion as to that. I should say ten days' notice would be generally a sufficient notice, without thinking further about it. You would probably find that after all you have got to give attention to railroad experts upon questions of that kind. There are so many things entering into their consideration which do not occur to those examining and discussing them as we do, but which occur to a practical man and which in a moment he presents to your favorable judgment, that upon questions of that kind I deem it important to obtain all the information from railroad experts that is possible.

If you permit an organization similar to the pool I am describing, it seems to me important to consider what kind of regulations ought to

be placed in the statute to protect the public interests. I would suggest that in the legislation to be adopted by Congress rules of the following nature should be enacted whether you legalize associations of this character or not. I think the rates should be open and published and not changed except upon specific and public notice. In the next place, while our board differs as to this, I believe the principle is right, with some exceptions, which forbids a greater charge for a short than for a longer distance in the same direction. In every State and country where that question has been investigated the conclusion has ultimately been reached that this is a wise and just regulation which is not unduly onerous upon railroads and which sufficiently protects the public in the vast majority of instances from unjust discriminations. The adoption of a proper long and short haul law, permitting some just exceptions, would, in my judgment, substantially aid in the solution of the difficulties in reference to transportation rates in this State.

The CHAIRMAN. What sort of a long and short haul law would you adopt?

Mr. KERNAN. We have pending before the board a proposed law which I have not with me. It is substantially this, that a railroad shall not be permitted to charge from one station to another a higher rate than it charges at the same time from that same original point of departure to a station at a greater distance in the same direction. To pass a statute saying that they shall not charge more for a short than a long distance on any railroad would be an utter failure and would work vast injustice. The New York Central Railroad can afford to charge less between New York and Albany, owing to the large amount of business, &c., than it could between the village of Whitesboro, where there is not a car-load a month, to a small station 150 miles west toward Buffalo. Hence, to say that no charge should be made by a railroad for a short distance upon its line to exceed that for a longer distance would be unjust; but I think you may say that it shall not charge more from New York to a point between New York and Albany than it charges to Albany; or, *vice versa*, from the intermediate station to New York a higher rate shall not be charged than is charged from Albany to New York. There must be some power vested in somebody to make exceptions to this rule, and I call attention to Illinois and the last annual report, where two or three cases are cited under the Illinois statute, which is somewhat in the nature of that I have indicated. The provision there is, I believe, that the fact that the farther station is a competitive one shall not *prima facie* permit greater charges for the shorter distance.

The CHAIRMAN. *Prima facie* evidence of extortion?

Mr. ROGERS. It may be as well to draw attention to the fact that there is some difference of opinion about that.

Mr. KERNAN. We differ about the question as to this rule, although we reach the conclusion that the general rule is that they ought not to charge more for a shorter than for a longer distance, and in that general conclusion we concurred, but as to the specific application of it and the advisability of placing anything upon the statute book declaratory as a principle and as a regulation to control railroads my associates and myself do not agree about it, and perhaps there are certain reasons why such a statute ought not to become a law anywhere.

Senator HARRIS. You mean a statute prohibiting a higher rate from the city of New York to a station 50 miles on the line from here to Albany than to Albany; that it would be dangerous to pass a statute to that effect?

Mr. KERNAN. I say I believe such a statute ought to be passed, but I say that my associates and myself differ, and there are reasons which can be stated against the passage of such a statute which deserve full consideration, because they really are serious and weighty.

Mr. ROGERS. Perhaps, Mr. Chairman, it would be better to read the rule in which we all concur, which gives the exceptions or the circumstances in which exceptions to the rule should be allowed.

Mr. KERNAN. This is the rule that we agreed upon:

Railroads should not, as a general rule, charge more between a terminal and an intermediate point, for a like class and quantity of freight, than is charged between such terminal and a more distant point, even though at such more distant point there be railroad or water competition, unless railroads can affirmatively establish such circumstances governing such competition as justify the higher charge for the shorter distance.

That we agree upon as a rule. The question I was discussing was whether a specific statute making that the law would be proper, whether such a provision would be proper in the statute which you contemplate passing to regulate interstate commerce. I believe that in such a statute there should be this provision, with the power in somebody to modify or permit exceptions to it. I think the law should be that they shall not charge more from one station to another than they do from that same station to a further one in the same direction, but I think to that rule there should be permitted some exceptions to be determined as cases present themselves by some appointed tribunal. The Illinois cases to which I alluded a moment ago show how necessary for the public good it is to permit some exceptions. My associates and myself do not differ as to the general rule, but we differ perhaps upon the question as to whether it is advisable to enact any statute upon this question, and it is upon that that the other members desire to be heard, and of course I desire that they shall.

#### FEATURES OF CONGRESSIONAL LEGISLATION.

In any Congressional legislation unjust discriminations, &c., should of course be forbidden.

Another provision that should be incorporated in any such statute is this: I think that a diversion of freight should be forbidden, and not permitted, from one line to another unless in classes of freight where no injury can be done.

Senator PLATT. That is, shippers should be permitted to choose their lines?

Mr. KERNAN. Yes, sir; and I think that contracts, rules, and regulations to the contrary should be void, because if you permit a road to vary the law by contract, the power of the railroad over the shipper and his transportation is such that he can be compelled to submit. Therefore I think such diversion should not be permitted unless it be in the classes of freight where it does not produce any business difficulty. That is a subject to be considered.

Again, I do not think any conditions ought to be permitted to come between the shipper and the railroad other than those which are just and reasonable, and of course whether they are just and reasonable or not would be determined by the court and by the jury. If otherwise I think even under an agreement they should be forbidden by the statute and declared void.

That covers the general idea upon the kind of legislation and the principles that it seems to me should underlie it. I do not think it



should be penal or have a penalty affixed to the violation of the statute. I think that has been a failure wherever it has been tried, but I think compliance with the statute could be enforced very fairly and effectively.

#### A NATIONAL COMMISSION.

As to the enforcement of such a law, being on a commission, I think my brethren and myself will agree upon this, that there is no more effective agency than a railroad commission for the purpose of aiding the courts in carrying out any law on this subject. I believe that you have got to have, to aid in carrying out the principles of the statute suggested, a national railroad commission, and for these reasons: The subject is one requiring special study in order to acquire that knowledge which enables legislation to be enacted or judicial authority to be effectively exercised. I think a commission invested with the power of ascertaining the facts without expense to shippers, keeping investigations progressing all the time in reference to this subject, and enlightening the people and the legislature and Congress, is essential in order to determine how far railroads are complying with the statute which you pass upon this subject. The investigation to ascertain the violation of the statute must be conducted by men whose business it is to become familiar with the principles underlying these questions of transportation. I believe, and have always believed, that the finding of a commission upon questions involving acts under a law of this character should be *prima facie* evidence before the courts, because it is impossible for a shipper to go before the courts and attempt to show a violation of a statute upon the question of unjust discrimination. The facts bearing upon that question, and which have got to be examined in order to enable the court and jury to determine whether an unjust discrimination exists or not, are oftentimes very complicated. If the individual is left to make his common law proof of these facts, and the court and jury have to determine the question unaided by the findings of somebody having expert knowledge and special facilities for doing the work, the law will be practically impossible of enforcement, and you will have a dead statute.

The CHAIRMAN. You say that simply left to the courts, these shippers would probably have to bring a thousand suits a day?

Mr. KERNAN. Yes, sir. I so said in reference to a city like New York.

The CHAIRMAN. As a practical operation of the business of your Commission, have you had to bring many suits?

Mr. KERNAN. No, sir; we have not.

The CHAIRMAN. How have you got along without doing it? Do you settle these difficulties?

Mr. KERNAN. We settle a great many of them, and yet we have recommended this last year—

Mr. ROGERS. Is there not a misapprehension about the chairman's question? When you ask do we bring suits, do you mean are suits or complaints made to us?

The CHAIRMAN. Are suits or complaints made to you, or are shippers compelled to go into the courts, or do they go into the courts without coming to you, or how do you get along and settle the difficulties between the business community and railroad corporations so as to protect the shippers in their rights?

Mr. ROGERS. I thought there was a misapprehension there in the mind of our chairman. The complaints are brought to the commission in very considerable number, and we decide them by recommending such action as we think will redress them.

The CHAIRMAN. What becomes of them then?

Mr. ROGERS. In a vast majority of cases our recommendations are complied with without going into the courts.

Mr. KERNAN. If not complied with, where the matter concerns an individual he is left to pursue his remedy in the courts. Where it is a matter of public duty on the part of the railroad and is of a character that the people through the attorney-general have a right of action, there the attorney-general has the discretion of bringing a suit.

Senator PLATT. Do you report to the attorney-general?

Mr. KERNAN. Yes, sir, we are directed by the statute to report to the attorney-general.

Senator HARRIS. Is your finding *prima facie* evidence under the statute?

Mr. KERNAN. No, sir. We think it ought to be so. We have so recommended. We think that where we have spent, as we have frequently, weeks in investigating a question connected with transportation, and gone through the books of railroad corporations in order to ascertain, in the first place, whether according to their capital and stock and bonded debt their rates were high or low, and have finally determined the question and presented the facts, our findings ought, at least in the courts, to be *prima facie* evidence. A lawyer will recognize in a moment, if he sues a railroad for unjust discrimination, seeking to recover back a freight charge, the seriousness of the undertaking he has before him. If the *onus* is upon the complainant of showing the rate charged to be unreasonable, a slight examination of the question shows that a lawyer has before him a herculean effort. He has the difficulty of securing proof, every atom of which is in the hands of his opponent, so that he cannot readily get at it. The commission having the power to get at the proof, it seems to me it would be no injustice to the railroads if the finding of the commission upon the question indicated should be *prima facie* evidence in behalf of the complainants and the State.

I do not think any statute you pass upon the question would be of any effective benefit unless you provide for a commission. I think a commission of five is little enough to deal with this interstate-commerce question, and that its findings, as to matters of fact, ought to be *prima facie* evidence. The complainant can then go before the court with a *prima facie* case, and the railroad, which has all the proof under its control, can correct the findings if erroneous. I think that the enforcement of such statutes by a penalty is a failure.

#### HOW TO ENFORCE A NATIONAL LAW.

Now, what is to be the substitute for the penalty? I think, under such a law, you should invest the courts of the United States with power to compel compliance with its provisions by injunction where the act is prohibited, or by mandamus where an act is to be performed. Through their various processes the courts of the United States should have a right to enforce compliance with the law, and the findings of the commission should be *prima facie* evidence on behalf of the people or of the complainant. This system seems to me to be the most just and effective one as the result of my examination of all that has been attempted upon this question in the different States and Territories. It approaches as near to the English system as our different conditions will permit, and that system has been the result of some forty odd years of gradual development.

## LEGALIZING OF POOLS.

Of course the question of legalizing associations such as the pool is a crude thought in my mind. I believe that that has got to be done sooner or later. If pools were permitted to be legalized under such law as I suggest and under such restrictions and regulations as would protect the public, they would be an effective instrument for public good and would be free from the abuses which exist to-day. I think it would be better to permit such associations properly regulated than to insist upon unregulated competition leading to railroad wars and the again leading to the combination of railroads through which rates are unduly and unjustly put up and maintained.

Senator HARRIS. Would you subject the pooling contract to the approval of the railroad commission?

Mr. KERNAN. I would require that every schedule and classification and every contract should be deposited in the office of the commission as a public record. I do not think that it would be wise to require that it should be subject to the approval of the commission, but I accomplish what seems to me to be a sufficient protection without the vesting of so much power in any commission in another way which I have indicated and of which you will see the application. If an agreement is made between railroads constituting a trunk line pool under the provisions which I have suggested, you will see that then any shipper could come before the Commission and claim that any provision contained in it violates the statute, for instance, as to a long and short haul, or a discrimination provision, or some other provision. The finding of the board upon that question would be *prima facie* evidence in the courts, and the court upon such a finding would have power to legally construe the agreement and determine the question. I think the determination should be left to the courts, only I think that your commission should be placed in such a position that it can effectively present facts and thus do away with this difficulty which now stands in the way of every shipper who seeks to enforce against the trunk lines his common law remedies.

To require such agreements or pooling contracts to be approved by the board would make the board really the classification and rate-arbitrator of the United States. This would be a power, at first at least, too great to locate in any body. Common carriers should fix rates and prescribe conditions, but shippers should be provided with the means of summarily reaching and redressing wrongs.

## POWER OF THE COURTS.

The courts should determine whether the law is being violated, and I would aid the complainant and the district attorney of the district by having the findings of that commission, obtainable without cost to the complainant, *prima facie* evidence. Let the findings be available before the court, and then let the court construe the law and enforce the statute by mandamus, injunction, or otherwise.

Senator HARRIS. You mean that the pecuniary interest of an individual shipper, as a general rule, is too small to justify him in entering upon a judicial investigation?

Mr. KERNAN. Yes, sir; and I think the common-law rule of requiring him to establish the violation of the law by proof presents to any lawyer who has ever undertaken it too complicated and difficult a subject for him without expert aid and access to railroad books, &c., to ever master. Hence I think it would be only just to offset the advantages po

sessed by the railroads in such contests by permitting the findings of a commission to be at least *prima facie* evidence. There is, of course, no just reason why the findings should not be as well available for the use of the carrier as of the complainant.

The CHAIRMAN. Your idea is that instead of giving the board itself any absolute power to settle disputes, you would give it the power of investigation and authority to report to a court, if necessary, and have that report *prima facie* evidence of the justness of the recommendation?

Mr. KERNAN. *Prima facie* evidence of the facts found. I do not know that it would be necessary to say that it should be *prima facie* evidence of the justness of the recommendations. If you make it *prima facie* evidence of the facts found, then I would let the court determine whether upon those facts as found the law had been violated, and would also give the court power to enforce its decision.

#### EXPENSES OF A COMMISSION.

One other thing in connection with this commission. There is a provision in our statute which does not appear in any legislation heretofore suggested in Congress. In this State the salaries of the commissioners and all the expenses of the commission, amounting to \$50,000 a year, are paid by the railroads of the State; and it has always seemed to me that all the expenses of a United States commission should be paid by assessment upon the lines engaged in interstate commerce. Is this not entirely practicable, and is it not entirely right? They should be required to make reports, and the Secretary of the Treasury or the Secretary of the Interior should have the right to make an assessment of the expenses of the commission each year upon the lines engaged in interstate commerce, and these lines should be required to pay such expense.

#### TIME FOR CONGRESSIONAL REGULATION HAS ARRIVED.

Senator HARRIS. Is not this effort to regulate State and interstate commerce in the interest of the general public as against the common carrier?

Mr. KERNAN. It rather seems that we have reached the point to-day where a very favorable opportunity is presented to Congress to justly regulate this whole question in the interest as well of the railroads as of the people. It is true, as Senator Harris suggests, that the regulation is to be in the interest of the people largely, but not solely. I think that the parties really most desirous to-day of legislation by Congress are some of the railroads of the country. They do not want just what I am suggesting, perhaps. They want legislation, however, which will legalize their pools and permit them to enforce their pooling agreements as against each other. Why? Because they have found that the pool only hangs together when business is active, and therefore when its restrictions are not needed, the very moment that business becomes depressed and freight scarce, that then some roads kick out of the pool, violate its rules, and nobody has power to restrain them. Consequently the pool is of no use at the time it is needed. Hence legislation is wanted by railroads, and in granting it a favorable opportunity is presented of incorporating in it just and reasonable regulations in the public interest.

The CHAIRMAN. It should protect the railroads against themselves and the people against the railroads?

Mr. KERNAN. Yes, sir; the railroads have got to admit that their effort without any legislation to agree among themselves has proved a failure. They cannot maintain the system; they cannot agree together; they cannot enforce their agreements against each other; and hence they have come to the point where they have got to accept legislation which shall afford them to some extent the relief which they seek, and as the price of getting it Congress stands to-day in the position where it can impose such regulations as shall result in protecting the people in all of their rights as against railroads. I think the opportunity in that way is very favorable.

Senator PLATT. Do you think there is any real abstract conflict between the interests of the people and the interests of the railroads?

Mr. KERNAN. None at all, sir.

Senator PLATT. That is, their true interests are alike?

Mr. KERNAN. Certainly. We discuss that in the report to which attention has been called:

Our brief review of commissions and their results may thus be stated: Through their well-directed efforts more has been done than through any other known method of State procedure to raise the railroads and the people to the plane which each must occupy before any satisfactory settlement of their relations can begin to be accomplished. Each must first learn that their interests are mutual, and not conflicting. That railroad which regards its transportation opportunities as prey is digging the grave of its prosperity, and is prohibiting its own growth. That community which seeks the correction of railroad abuses through destructive measures is killing the patient as a cure for disease, and is losing the very advantages which it theoretically seeks.

That meets the suggestion that it is a matter of education all around, and perhaps a national commission under any law you may design is necessary in order to make the investigations which will enable the courts to enter upon the construction of the act in reference to this important question in such way as to make its decisions harmonious and intelligent. The English decisions have been very numerous in construing their acts, and you might look at them. There is no act which perhaps is better worthy of imitation than the English act which forbids unjust discriminations, &c. It has been the law there since 1854, and it has been repeatedly construed by the courts in reference to every phase of the transportation question; and the departure by a word even from a statute upon this subject which has received long judicial construction is dangerous, because that single word may produce perfect chaos when you come to the application of the law. I think it is very wise in the initial legislation to follow the moderate legislation of some country where the law is settled.

The CHAIRMAN. A commission was established in England in 1873.

Mr. KERNAN. Yes, sir; the last one for five years, although it has been continued since.

#### BUILDING OF COMPETING ROADS.

Senator PLATT. As to whether there is conflict between the people and the railroads, I want to ask a question which seems to me very fundamental. The great trouble seems to be that between competing points or large points too many competing roads have been built; that is, more roads than there is sufficient business at living rates, fair rates, to pay interest upon their entire capital. Now suppose that be so, who ought to bear the burden of the mistake or misfortune, whichever it is? Ought the people to bear it by being compelled to pay rates which are really higher than they ought to be, so that all the companies can get interest

and dividends upon their capital; or ought the men who have put their capital into the roads and own them to pocket the loss resulting from the deterioration or ruin of the property?

Mr. KERNAN. Upon that question the policy in this State has been to permit any dozen men to build a railroad anywhere they chose. They take a charter by subscribing \$1,000 a mile and by paying in 10 per cent. They then have a right to locate a road anywhere they please, and upon subscribing \$10,000 a mile and paying in 10 per cent. they have the right of eminent domain. They exercise the highest prerogative of the State. We have twice made recommendations on this point to the legislature of this State as to the discharge of its duties to existing railroads. One of the duties of the State to a railroad when it has granted a charter and invited the investment of money is to thereafter protect it in the business promised at the inception, so far as the charter goes in that direction, and it is unjust to existing roads to permit unnecessary competing lines to be built; and, therefore, we recommend such an amendment as was adopted in Massachusetts two years ago, that is that hereafter in this State charters should only be granted upon the finding of the board of commissioners that there was a public exigency or necessity for the new roads.

Mr. ROGERS. Subject to the review of a court.

Senator PLATT. But that has not been done. Take, for illustration, the New York Central and the West Shore roads. I do not know anything about the facts, but I assume that there was not any necessity originating in the demands of business for the construction of the West Shore Railroad, but it has been constructed. It turns out that there is not business enough to support both roads at rates which are fair to the public. Who ought to lose? Ought the public to be compelled to pay rates high enough to pay interest on the capital of both roads, or ought the men who were foolish enough to invest their money in a road which was not required be the sufferers?

Mr. KERNAN. Under our statute of 1850 the law says to investors, "We invite you to build railroads; we invite you to build them wherever in your judgment they will pay."

Mr. O'DONNELL. You are stating your opinion now.

Mr. KERNAN. Yes, sir; I am simply stating in answer to the question my own view. We invite the investment of capital in railroads. Thereupon a railroad is built. By the same statute it is said, "Before your rates of freight and fare are cut you shall have a certain earning of 10 per cent." That is an implied guarantee to the road that its earnings shall be 10 per cent. before the State shall exercise its power of reducing its rates generally, not of preventing unjust discriminations, but of cutting its rates generally. Another company comes in under that same statute. It is invited by the same power to put a railroad right alongside of the one already built. It can put a railroad alongside of it or anywhere it pleases. It is guaranteed impliedly that if it puts a railroad alongside its rates shall not be cut and reduced until it is making 10 per cent. That is the condition of our peculiar statute in this State, and that being our statute it seems to me that the State has no right to interfere as between those two railroads until the earnings have reached the rate which the law permits to be earned so long as reasonable rates are maintained.

In case of an injurious investment, where the loss should fall is a question which I confess I am not prepared to answer. So much can be said upon each side that it is difficult to say. Here is an investment invited and made. Ought not the State and people, having invited that

investment, to be willing to pay for it to the extent of not interfering with rates until the percentage fixed by the statute is reached? My own view about it is that the investor must stand the loss, and that the simple duty of the State is not to interfere with rates unless they are clearly unreasonable until the earnings reach the limit permitted by the charter. Where more railroads are built than the business requires the constant strife of these railroads is to combine their capital and themselves in such a way as to saddle the cost upon the business of the community, and ultimately they generally succeed in doing it. Hence we think wisdom on the part of the State would forbid unnecessary railroad building, because the tendency ultimately is to saddle upon business rates sufficient to pay dividends on unnecessary capital invested.

Senator HARRIS. Allow me to ask in that connection if, under these terms or invitation to build railroads in your State, the first line being built between points that furnish ample business to enable the railroad to carry freights and passengers at low and reasonable rates and earn a reasonable profit, a competing line, parallel and near to, being constructed afterward under the same license or invitation, as you choose to term it, and loss resulting, should it not fall upon those who constructed the last road?

Mr. KERNAN. There is no question about that. They see there the existing road; they take the risk of the investment, and if there be a loss I think they should bear it; but you must not carry that so far as to say that it is the duty of the State to permit those railroads to go on cutting each other's throats, not because of the fact that it is doing injustice to the investors of the second railroad, but because the existence of a railroad conflict in that vicinity is disastrous to the public, and it is to the interest of the public that that competition should be regulated to some extent.

Senator PLATT. But the pooling arrangement proceeds upon the idea that when the needless parallel or competing road has been built a portion of the business of the old road is to be taken away absolutely and diverted to that, is it not?

Mr. KERNAN. Yes, sir.

The CHAIRMAN. So that it affects the capital of the road that was built properly and advisedly at the time of its construction?

Mr. KERNAN. Yes, sir; but I would not make that agreement compulsory. It is a question with that old road whether it should continue a conflict in which both get destroyed or divide the business so that each shall make some profit. If they choose to make an agreement subject to laws sufficiently defined by statute to protect the public against unjust rates, it seems to me for the public interest that it should be done rather than the opposite course should be followed out of permitting this destruction to proceed, because I think in that destruction public interests are involved or are affected.

Senator PLATT. How was the West Shore, which was used for illustration, built—under the general railroad law or special charter?

Mr. KERNAN. Under the general railroad act.

Senator PLATT. The ethics of the case differ a little whether it is under a charter by which the State has specially authorized a road to be built or under a general railroad law.

Mr. KERNAN. Hardly, under our statute. Every general railroad statute is a special charter for each railroad. It is simply to take the place of special legislation and provide a general method of incorporation.

Senator PLATT. If there was no general railroad law then the State

would seem to have settled the question of whether the competing road was necessary in the particular case, but there being a general railroad law, the individuals who put their money in seem to have settled it.

Senator HARRIS. Would not the construction of the special charter be that it was simply a grant of authority to do what your capitalists choose to do in that respect, rather than an invitation to do it?

Mr. KERNAN. The extent of the obligation of the Government upon this question is discussed in one of these reports. I do not think the Government owes any duty to the railroad investors, except simply as follows:

A common carrier thus created becomes at common law a *quasi* public servant, bound, as the price of its privileges conferred, to carry all persons and property offered to it for a just and reasonable compensation, and with due regard to public safety and convenience. It is the right and duty of the State, either in the original charter, or by subsequent legislative or other action, to see that the citizen has service to which he is thus entitled, to prevent railroads from assuming rights and privileges not granted, to compel the correction of abuses, and to require the performance of duties assumed. No less has the railroad at least a well-recognized equitable right to insist that the State shall guard its property; that it shall be protected in the exercise of its chartered privileges, and that subsequent legislation shall not exceed the limits above stated.

This position towards its citizens and towards its railroads the State ever and unceasingly occupies. For instance, the right conferred to impose and collect fares and freight rates is the permission of the State to exact from transportation and commerce a tax in return for a public service required of and performed by the railroad. The amount of this tax, in a just and equitable view, and based on a public policy which duly regards good faith, and which is liberal enough to promote and sustain prompt, efficient, and constantly improving service on the part of railroads, is that amount which will pay expenses and a fair return upon the capital of the corporation invested.

To keep the tax within this limit is the duty of the State towards its citizens; to sustain it at this point is the corporation's right, in the enforcement of which the State ought not to interfere.

I do not think the State assumes any obligation to guarantee investors against loss, but my argument is that in the interest of the public railroad competition becomes disastrous when carried on between such forces as these trunk lines have become, and, therefore, their pooling arrangements having been a failure to accomplish the professed objects of the pool, that a favorable opportunity is now presented of so legislating and regulating this competition between railroads that it shall be a just and healthful conservator of public interests, and that the people in that legislation can secure those rules and regulations which shall protect them against the abuses of railroads.

Both of my colleagues have at times even more extensively than I myself discussed this question. Indeed, in suggesting to you what I have done, I have drawn largely from their views.

#### WHAT IS INTERSTATE COMMERCE?

Commissioner Rogers has lately prepared perhaps the most extensive examination of the law upon this interstate question that has yet been made. The legal definition of interstate commerce presents a troublesome question. We quite widely differed about that question in a case where we were asked by shippers in Orange County to regulate the rate on milk transported from Orange County, in this State, to the Jersey line, thence over the Erie Railroad on its Jersey division to Jersey City. We were asked by the shippers to fix the through rate over the line to Jersey City. We were asked also to say that instead of delivering the milk in Jersey City the Erie road should deliver it in New



York. Commissioner O'Donnell believed that as the State chartered the corporation, gave it its life, authorized it to do business, it retained, and, notwithstanding the constitutional provision giving Congress the right to regulate commerce among the States, the State preserved the right to protect its citizens against excessive rates and charges, or that at least that right existed until Congress should exercise the power conferred upon it by the Constitution. Commissioner Rogers and myself differed from this view. Commerce is either one of two kinds; it is either State or interstate; it is only State when from the beginning to the end of the transportation every foot of it lies within the State territory; otherwise it is interstate, and under national control. The only rule which makes the subject susceptible of clear treatment and understanding is to hold that the extent of State control is over commerce entirely within the State; that whether a transportation runs through half a dozen States or during a part of its journey through a small portion of two States, it is, according to the principles which lie at the base of the question, interstate commerce. In other words, the theory of the Constitution, in my judgment, is that every article of transportation and every shipment should be subject to but one set of regulations. That which lies within a State is necessarily subject to that one set of regulations because it nowhere touches any other jurisdiction. If every other transportation which is through different States be interstate commerce and subject to Congressional regulation alone, then such commerce has but one regulator, and in its regulation there can be no conflict of supreme authorities. If each State may regulate so much of an interstate shipment as lies within its borders, then conflicting sets of regulations by States will lead us into the very difficulty which the constitutional provision was designed to obviate, and, therefore, the judgment of Commissioner Rogers and myself has been that the subject is one of interstate commerce, and within the exclusive control of Congress, wherever there is a transportation in the United States which, under a single shipping or way-bill passes over, at any part of its route, the limits of two States.

Senator PLATT. You think that if Congress exercises its power in that respect, it takes even that portion of the jurisdiction which is within the State out of the jurisdiction of the State?

Mr. KERNAN. I believe so, sir. My judgment is that whether Congress acts or not, it has exclusive jurisdiction over inter-State commerce. I think it has been so settled by the decisions, although in *Munn* against the State of Illinois, and the warehouse decisions, in your State, there are expressions of the opinion of the court which seem to indicate that the State has the right to act until Congress acts, and even that it may act to some extent upon matters of transportation between the States. I think the weight of the decisions, especially the later ones, is to hold the law to be that the rate upon a shipment or the classification of a shipment which passes through parts of two States is a matter exclusively within the jurisdiction of Congress, whether Congress chooses to act or not. If Congress does not act, it is the declaration by the National Government that there shall be no regulation.

Senator HARRIS. If a shipment is made in the State of Maryland, passing through the States of Pennsylvania and New York to the State of Massachusetts, it is clearly an inter-State shipment, and neither State would have any right to regulate that portion within its lines.

Mr. KERNAN. I think so. I think that is the only logical position you can take, because the very moment you admit that the State can exercise regulation over that portion of the transportation which is

within its lines, you have got to concede that to every State, and then you are going to have conflicting regulations as to transportation. It would seem that the design of the constitutional provision was that whenever the shipment was of that description there should not exist power in any of these different States to exercise control over it.

Senator HARRIS. You hold that your State jurisdiction begins and ends with shipments starting from one point in the State of New York and terminating at another point in the same State?

Mr. KERNAN. Yes, sir.

Mr. ROGERS. Except so far as the police regulations of the State may regulate the instrumentalities.

Senator HARRIS. I speak of the regulation of commerce.

Mr. KERNAN. We come precisely to that question. I do not wish to be understood as asserting that there is no power in the State to exercise certain kinds of jurisdiction which indirectly affect inter-State commerce. The State has police powers which it can exercise. For instance, this State may say that dynamite shall not be brought into it over a line except under such and such regulations. "Well," but my friend says, "you concede away the whole question; that is inter-State commerce; it is a shipment from San Francisco to New York; you cannot control or regulate it." Ob, yes, we can, to the extent of exercising police powers for the purpose of protecting our people against the dangers incident to the transportation of that article; that is not the kind of regulation which I think is forbidden. The kind of regulation is that presented by the example given of the application to our board in the milk case. The courts have sometimes found it difficult to draw the line between a regulation of inter State commerce and the exercise of a police power, and hence the confusion in the decisions. Expressions in opinions must be confined to the case under consideration.

Senator HARRIS. Allow me to suggest that whatever power Congress has to regulate inter State commerce certainly does not interfere with the power of each and every State to exercise its power over police regulations.

Mr. KERNAN. Not at all, sir.

Senator HARRIS. The dividing line between the regulation of commerce and the exercise of police powers is one that has never been, to my mind, very clearly or well defined. I do not think there is any necessity in this investigation for us to undertake to define or go into the discussion of that question.

Mr. KERNAN. Not at all. Of course any statute upon this question would be one applied to inter-State commerce.

Senator HARRIS. If it be a legitimate regulation of inter-State commerce, it is very well settled that it cannot interfere with the power of the State to exercise its police powers.

Mr. KERNAN. I think that is true, as I understand it. There are other views of this question which are sustained by very able authority, and which even the decisions of the Supreme Court, especially in the Granger cases, would seem to justify. My colleague, Commissioner O'Donnell, has examined that question and has very extensively presented his views upon it, and, as I say, he believes in more extensive power on the part of the State than is held by the majority of the board to exist. Commissioner Rogers has made lately an examination of the authorities and has presented them very fully, not only the general results, but the specific points in each of the important cases.

I feel that I have already trespassed on the committee in speaking long.

Senator HARRIS. There has been no part of your time which, in my opinion, has been wasted.

The CHAIRMAN. We are very glad to have heard you upon this question, and obliged for the information you have given.

Mr. KERNAN. I thank the committee.

### WILLIAM E. ROGERS'S STATEMENT.

WILLIAM E. ROGERS (a member of the board of railroad commissioners of the State of New York) appeared and said:

Mr. Chairman and gentlemen: I have made no preparation of views to present to you, and, indeed, it is hardly necessary that I should have done so, for my colleague has ably covered the ground; but in the course of his remarks one or two matters were suggested to my mind, and I thought perhaps it would be worth while expressing them to the committee. I see by the terms of your circular the first subject of inquiry is:

The best method of preventing the practice of extortion and unjust discrimination by corporations engaged in inter-State commerce.

The second inquiry is:

The reasonableness of the rates now charged by such corporations for local and through traffic.

### THE NEW YORK RAILROAD COMMISSION.

These inquiries suggest the fact that you propose to merely investigate those subjects that come under the definition of inter-State commerce, and it occurred to me that it would be proper to briefly indicate to you the course that our board has pursued. We think that we have pretty thoroughly covered those subjects that come within what are generally termed "the police powers of the State." I now refer to our second annual report. On the first page we give the general situation of the roads of the State. We then go into the summary of business of the year, giving in brief that statistical information which is of general interest. Then we note the business of the city of New York, comparing it with the business done at other cities, and draw certain conclusions therefrom. We then go into the subject of the relation between the canals and the railroads, and draw the conclusion that the State should not allow the canals to deteriorate or to decay; that they act as a regulator of commerce in a way that is recognized by everybody as of the utmost importance. We then go into the matter of legislative references, alluding briefly to them and to the complaints made to the board.

Senator GORMAN. Will you give us briefly the reasons you assign for the competition of water ways with railroads?

Mr. ROGERS. I will briefly state it as follows: So long as the water-ways are kept open, for instance, between Chicago and the Atlantic Ocean on the east, and Chicago and the Gulf of Mexico on the south, through the Mississippi River, it is impossible for the railroads ever to combine so as to produce extortionate rates. For that reason, if for no other, we deemed it of the utmost importance that these water-ways should be kept open. It is possible that a pool might be formed so iron clad that for a considerable length of time it could not be broken up in the absence of those water-ways on the south and on the east. If, however, they are kept open, we think that that particular grievance is out of the question.

We then briefly allude to our decisions which have been made with regard to complaints as to transportation and freight rates. We then call attention to our efforts in securing from railways complete reports of their doings, and perhaps it is pertinent to say that one of the principal causes leading to the creation of this commission was the widespread demand for publicity of railroad transactions. It appeared to be the idea of railroad managers to operate their roads in a mysterious way. All sorts of secret compacts were made, and the very fact that there was secrecy gave rise to the opinion that there might be some great abuse. That secrecy revealed, and the veil pulled aside, a large proportion of the grievances, or the supposed grievances, disappeared spontaneously.

We now compel railroads to make reports to us of a very elaborate character; and, in addition to that, we compel them to make a quarterly report of their financial condition at the end of every three months. These quarterly reports serve as mile-stones through the year, and tend to prevent a great deal of that corporate mismanagement that has taken place heretofore, such as the secret bondings of roads, the secret issues of stock, and a thousand and one things of that sort.

This board has taken great pains to secure the better maintenance of the railroads of the State as to their physical condition. We have regarded that as coming specifically and particularly within our province, but it is very questionable whether it would come within that of a national board of railroad commissioners, presuming that such will be created, which subject I will touch upon later.

Under our powers, which are very complete as given by the act, we have the railroads carefully inspected. We have an inspector, a civil engineer, who visits the roads and examines them in great detail. If he finds any fault or bad construction, such as to endanger travel, the fact is immediately reported to the board, and from thence to the railroad authorities. They are compelled to put the road in such order as to secure safety. One or more of the commissioners, personally, also inspects from time to time, as other duties will permit. We have paid very particular attention to the supervision of bridges and to securing the proper maintenance of all such structures, and we have good reason to believe that the railroads of the State have been improved, so far as their physical condition is concerned, very greatly since the commission has been in existence.

We are also paying a great deal of attention to questions involving the *comfort* of travel, such as temperature, ventilation, &c., and, above all, to those subjects that will tend to diminish the number of accidents. We also have given much consideration to the matter of the rights of stockholders being fairly regarded and fairly represented, and, in fact, to all those subjects that legitimately come within the State control exclusively.

#### WHAT IS INTER-STATE COMMERCE?

The question then arises as to what matters ought to be and are left to the control of Congress under that provision of the United States Constitution which provides that Congress shall have power to regulate commerce among the several States, and which, therefore, it would seem to be the duty of the General Government to control. Those matters are evidently such as are involved in inter-State commerce, that is, those transactions *which begin in one State and end in or pass through another*. To the determination of such questions I understand, from this circular, that the attention of your body is particularly directed.

As my colleague has shown, the effort has been made on the part of the railroads, particularly the great trunk lines, to prevent the various evils occurring from unregulated competition by the creation of what is popularly termed "a pool." For the reasons that he has given, that pool has not been altogether successful. While, in addition to its benefit to stockholders, it was to a great extent efficacious in preventing unjust discriminations between shippers for a while, in consequence of the excessive competition that has sprung up of late years it has fallen to pieces of its own weight.

#### THROUGH RATES AND LOCAL RATES.

It seems to me that it is a very grave question now—or, to put it in another shape, that one of the principal subjects that ought to be brought before your body is to determine whether, indeed, any very great grievances do exist with regard to the shipment of through freight, so far as shippers are concerned. I mean by that that the grievances, instead of being excessive rates of freight and fare, will be found to be rather excessively small rates, so small as to be not a grievance to the merchant who ships, but rather to the stockholder who has his property invested in these corporations.

A number of years ago, just previous to the Hepburn committee, the great subject of grievance was the fact that local rates were altogether too high as compared with through rates. By the creation of commissions in this State and in others that particular source of grievance has been to a great extent done away with. Local rates have been brought, as a general rule, within reasonable limits, and through rates, previous to the dissolution of the pool, were maintained at a profitable figure. The latter, however, have lately been reduced to such an exceedingly low point that the grievance now, I think, will be found to be that of the stockholder and the bondholder, who receives nothing whatever for the money that he has put into these corporations, rather than that of the merchant claiming to be charged excessive rates of freight or fare. The pendulum may take a swing in the other direction, and grievances hereafter may result from too high rates, particularly in the efforts likely to be made by railroads to reimburse themselves by high local rates for the losses sustained by excessively low through rates.

Senator PLATT. Do you have many complaints now of local rates being excessive?

Mr. ROGERS. No, sir; we do not have many.

#### COMPLAINTS OF SHIPPERS.

In our annual report we draw attention to the character of complaints, and it is perhaps worth referring to right here to show the nature of those that now exist. We say:

The complaints received during the year alleging discriminations as between *persons* are generally based upon the ground that the road compels the shipper to contract to ship all his goods by the road in question, and by no other line or canal; otherwise he is charged higher rates than his neighbor or competitor. The board condemns all such contracts on grounds of public policy, and for reasons given in full in the case of A. D. & R. D. Foot and others against the Utica and Black River Railroad Company. (See p. 94, Appendix, and in other cases referred to heretofore.)

There are comparatively few complaints lodged with this board that one man receives less rates than his neighbor. That particular griev-

ance, I think, has been pretty well done away with. Other complaints arise, which we state as follows:

The complaints alleging unjust discrimination as between *places* generally arise from the fact that at intersecting or competitive points rates are lower than at intermediate or non-competitive points. Those living at the intermediate or non-competitive points claim that their rates should be no higher than at the competitive points. The subject is one giving rise to much difference of opinion, and will be found discussed in full in the case of the Utica and Black River Railroad Company, p. 102, Appendix of first volume., Report of 1884; also in the report on the *pro rata* freight bill, p. 10, Appendix.

Senator PLATT. Can you approximate how many complaints you have had in the State of New York of that character during the past year?

Mr. ROGERS. Well, during the past year I am hardly able to say, but not a great many.

Senator PLATT. They have not been numerous?

Mr. ROGERS. No, sir; not a great many. The determination of one sets a precedent which causes the majority of the railroads to conform, so that we hear of few additional ones. It is a singular fact that in the court of appeals of New York there has never been but one case that I know of in which this question of discrimination, &c., has been determined—*Nelson vs. Hudson River Railroad Company*, 48 N. Y., 498. The determination of a single case settles a great many others.

Senator PLATT. It is your experience as railroad commissioners that during the last year the cases of alleged discrimination between places have not been numerous, considering the extent of your railroads and the magnitude of your business?

Mr. ROGERS. I think I can fairly say that they have not been numerous. Those that we have reached conclusions with regard to, as I have said, have settled many others. The majority of the complaints that we receive are with regard to the physical management of roads; for instance, in regard to grade crossings—that a crossing is a very dangerous one and interferes with public travel in the neighborhood; or that the station facilities are not adequate to accommodate the public; or that the railroad is exceedingly rough and perhaps unsafe to travel upon; or that the rolling stock is not in good condition. We receive a great many of that nature with regard to the rolling stock and the physical management of the road, and have constantly to look into them.

#### A NATIONAL COMMISSION.

With regard to the questions that you have propounded here (and I have thought over them a great deal, as we all have), in the light of the experience that we have had it seems to me that they could be better disposed of by the creation of a national commission than in any other way. It should have power to entertain complaints and to investigate them—powers of the same general character with regard to *inter-State* commerce that this board has with regard to State commerce. I think if such a commission were created, from the experience it would get in the course of a year or two most valuable results would follow. I do not see how the information can be obtained in any other way than from the every-day experience resulting from the complaints brought before it. It is doubtful if trustworthy information can be secured by merely investigating these subjects for a week or a month or even six months. But by creating a board that will entertain specific complaints, with power to secure their redress through the courts, and also with the privilege to recommend legislation to Congress, I think this perplexing problem can be solved better than in any other way.

I do not remember whether the chairman of our commission stated to you that it is imposed upon us by law to draft and submit to the legislature proposed changes of the statutes. Such is our duty. An intelligent presentation can thus be made to the legislature, resulting from experience running over a number of years, and based upon complaints actually made to and grievances observed by the board. It is but just to railroads to say that many abuses *alleged* to exist by noisy demagogues vanish upon honest investigation.

#### PUBLICITY OF RATES AND CHANGES.

As to the question—

Whether publicity of rates should be required by law; whether changes of rates without public notice should be prohibited, and the best method of securing uniformity and stability of rates.

That publicity of rates should obtain there is no doubt at all. The question as to whether changes of rates should be made without public notice, or what length of time should be given before determining upon a change, is a very troublesome one. Emergencies frequently arise of such a nature that a railroad ought to be allowed to make its changes very rapidly, provided that it allows to all the same rates under the same circumstances.

#### POOLING ARRANGEMENTS.

With regard to the question—

Should pooling contracts and agreements between railroads doing an inter-State business be permitted, or should they be entirely prohibited by law? If they should be regulated by law, would it be sufficient to require the terms of such agreements to be made public and subject to official approval?

I am clearly of opinion that there is no way to secure uniformity of rates over these railroads except by allowing them to determine among themselves the rates of freight they will charge (in other words, a pooling arrangement), subject, however, to *official control*. If a national board of railroad commissioners were created, the rates of freight agreed upon between the different lines could be submitted to it. Its approval would give the force of law to those agreements which at present are merely voluntary. In case discrimination were proved, redress could be obtained through such board. In this way uniformity, regularity, and substantial justice could be secured. I do not see how the evils from unregulated competition, resulting in railroad wars, can be prevented in any other manner. If every railroad goes on charging whatever it sees fit, without regard to rates on competing roads, no merchant at New York, Philadelphia, or elsewhere can determine what his rates are to be. These fluctuations are disastrous to legitimate trade and promote speculation of the most demoralizing kind. So it seems to me that to permit the railroads to agree upon what is a just and reasonable rate of freight, subject to the approval of such a board of railroad commissioners, is the solution, and the only solution, of the problem.

#### SELECTION OF LINES BY SHIPPERS.

Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?

That right has been substantially conceded by the New York Central Railroad, without the intervention of legislation. A decision of our

board to that effect was conformed to by that road. The matter was brought before us in the complaint with regard to the diversion of freight. The New York Central agreed that it would not divert freight hereafter, and that the transportation line which accepted the freight to go over certain specified roads, agreed upon between the shipper and the transportation line, should adhere to the agreed route. As the New York Central has taken that course, I do not see how it is possible for the other roads to do otherwise than follow suit. So I think the question, for the present at least, is substantially decided.

Senator GORMAN. Does not that agreement make it impossible to have a pool?

Mr. ROGERS. I do not think it does. It has been alleged that it makes it impossible to have a pool, but I am not at all sure that it will eventuate in a complete disruption.

Senator GORMAN. Will you tell me why? Because, as I understand, the very essence of that pool is that you shall divide the freight, and if a shipper is allowed to ship wherever he pleases, one road may get nine-tenths and the other one-tenth?

Mr. ROGERS. The original object of the pool was to maintain rates of freight. They also made an agreement that each road should carry the same amount of freight that it had carried in 1880, which amount was determined after most terrible competition. The object of putting in that clause that each road should be allowed to carry a certain percentage was to prevent its increasing its percentage by secretly cutting its rates, for if it secretly cut the rates and got a larger percentage by reason of cutting the rates it would derive no benefit from it.

Senator HARRIS. Is not this true in a pooling arrangement: Assuming, now, that two roads agree that each shall carry 50 per cent., they having carried 50 per cent. of the freight in 1880, or the agreement is that they shall carry 50 per cent., and it turns out in the last month that one has carried 60 and the other 40 per cent., is not the pooling contract that the one which carried 40 last month shall have the 60 per cent. of the freight this month, in order to equalize, so as to secure to each the carrying of the same amount of freight?

Mr. ROGERS. That has been the agreement.

Senator HARRIS. Then, if that be true, and the New York Central says it will not divert freight hereafter, the other roads, you think, will have to conform to that?

Mr. ROGERS. Yes, sir.

Senator HARRIS. That being true, the New York Central can no longer divert that freight to the competing road in order to equalize, and hence is not the pooling arrangement effectually destroyed?

Mr. ROGERS. As our chairman suggests, first-class freight was the only kind of freight that came under the pooling arrangement.

Senator GORMAN. That establishes the principle.

Mr. ROGERS. But even supposing that the principle of non-diversion applied to all kinds of freight, there does not appear to be any reason why the railroads should not agree with each other that they would maintain rates of freight independent of the percentage that each carried; yet that would still be a pooling arrangement. The matter of diversion was only a method to enforce the agreement—to compel the railroads to keep their agreements; but they might agree with each other that they would maintain certain rates of freight. They would have to adopt some method other than diversion for enforcing a penalty for violation of agreement.

Senator GORMAN. It has been stated with great confidence that the



money pool was found to be inoperative, that a railroad could not maintain itself without the freight, and therefore you must divide the freight to maintain a pool. That, I think, is accepted by all railroad people.

Mr. ROGERS. That is the result of experience; yet there is no theoretical reason why these railroads should not join together and agree to maintain freights.

Senator PLATT. In other words, if this pool were authorized by national act, subject to supervision of the commission, with penalties which might be inflicted upon a road for violating it, you think the pool could be maintained although there was no division of tonnage?

Mr. ROGERS. I think that is quite possible.

Mr. KERNAN. An injunction would prevent a road from cutting rates.

Mr. ROGERS. For instance, suppose the pool get together and say, "We will carry grain from Chicago to New York at the rate of 20 cents per 100 pounds." That is as little as the best equipped road can afford to carry it at. No road ought to carry it at less. If it does, it is carrying it at the expense of its stockholders, and it has got to make up the loss by charging higher rates from intermediate points. The State or the Government might properly say it is contrary to good policy to allow a road to carry grain at such a cheap rate that it inflicts damage on its stockholders or compels the losses to be made up from intermediate stations. Therefore, I do not see why, after the subject had been thoroughly investigated by the commission, it might not reach the conclusion that it was contrary to public policy for grain to be carried from Chicago to New York at less than a certain rate per hundred pounds.

Senator GOEMAN. If it did that, it would have to include the waterways also?

Mr. ROGERS. Not necessarily. You would determine just where the profitable point is in carrying grain from Chicago to New York. That is a very difficult question. But assuming that the point can be reached and it can be reached approximately, and indeed with almost mathematical accuracy—it is very questionable whether the State has not the right to say, "You must not carry grain at a lower rate than that, because if you do you bankrupt yourself or you enforce a grievance upon intermediate stations by charging them more."

Senator PLATT. But if there are competing roads, one can carry it at a certain rate which is profitable to one road and which is not profitable to another. The amount expended in the construction, grades, and a variety of things enable one road to carry it very much less than another and still make a profit. What is to be done in such a case?

Mr. ROGERS. It is fair to assume that one road, the most favorably equipped road we will consider, should be allowed a rate upon grain from Chicago to New York that would pay, over and above the cost of hauling and handling, a fair dividend upon the money invested in its creation. It is fair to allow it that. There is hardly any road that could not, out of that rate, get sufficient to pay more than the cost of hauling and handling, and if it gets more than that it is a legitimate transaction. It seems to me that it is an illegitimate transaction for a railroad to carry freight at less than the cost of hauling and handling.

The CHAIRMAN. Whatever might be the capacity of other roads to carry it at less rates and make money?

Mr. ROGERS. Exactly. But, for the sake of illustration, suppose a rate was fixed from Chicago to New York which was a fair rate not only for hauling and handling, but to pay a dividend on the cost of constructing

the road, there is hardly another road but could carry it at that rate and yet make some profit out of it, although perhaps not sufficient to make a dividend to its stockholders.

#### WATER-ROUTE COMPETITION.

Senator GORMAN. As a matter of fact, are not all your rates from Chicago to New York, eight months in the year, on grain and so on, fixed by your lake and canal rates absolutely?

Mr. ROGERS. They are fixed at a maximum point. They are sometimes carried below the canal rates, however. There are times when grain is shipped from Chicago to New York at the rate of 10 cents, with corresponding rates from other Western points, inasmuch as the tariff between Chicago and New York determines the rates from all other points.

Senator GORMAN. And is not that absolutely determined by the charges on the water-routes?

Mr. ROGERS. I say the maximum is. The railroad rates cannot go beyond a certain point, for if they do the grain will go by water; but they frequently can and do go below the rates that are paid by the water route.

#### UNIFORMITY OF RATES.

The ninth question propounded in your circular is:

By what method can a uniform system of rates for the transportation of passengers and freights by all the corporations engaged in interstate commerce be best secured?

It seems to me, as I have just explained, that that question is best answered, or the problem can best be solved by the creation of a board of railroad commissioners who can give the subject attention, and I imagine such board will reach the conclusion that it can be best secured in the way I have just indicated, by permitting the railroads to agree among themselves upon what is a just and fair rate, and submit it to the commission for a determination as to its justice and reasonableness.

#### THE LONG AND SHORT HAUL.

The tenth question is:

Should corporations engaged in interstate commerce be permitted to charge a lower proportionate rate for a long than for a short haul? Does the public interest require any legislation on that subject?

That whole question of the long and short haul is one about which there is so much difference of opinion and about which there is so much to be said one way and the other that I do not think it is worth while to go into it now. But I should like to draw the attention of the committee to the discussions of the subject in the second annual report of this board for 1884. They are found on page 102 of the appendix, also on pages 85 and 160, and in the opinions in the case of *Bunnel vs. New York, Ontario and Western*, copies of which have been sent to your committee. In the case of *A. D. & R. D. Foot* and others against the *Utica and Black River Railroad Company* the subject is very fully discussed. It is hardly worth while to take up your time, by the discussion of it now.

Senator PLATT. Is that a subject which a commission could properly deal with; or would it not, in your opinion, be advisable to have some law to regulate the action of the commission? Would the commission

deal with it under the head of "unjust discriminations" without a special law for its guidance?

Mr. ROGERS. That would depend upon the powers of the commission. If the commission had the power to determine what was and what was not an unjust discrimination, of course its decision would act as a precedent and would determine the question; but as I suggested to the chairman (I think while you were not here) the law of our commission provides that we should recommend to the legislature such modification of the present law or such new legislation as we deem proper. If a Federal commission were created with the same general powers as ours, it could examine that question and determine for itself whether it deemed it proper to recommend legislation. My own opinion is that the exceptions that would spring up with regard to its enforcement would be greatly more numerous than the occasions necessary to enforce it.

Senator PLATT. Has your commission recommended any legislation on that subject?

Mr. ROGERS. No, sir; not on that subject. We have recommended no legislation. As stated heretofore, the general rule that we deem a proper one is that—

Railroads should not, as a general rule, charge more between a terminal and an intermediate point, for a like class and quantity of freight, than is charged between such terminal and a more distant point, even though at such more distant point there be railroad or water competition, unless railroads can affirmatively establish such circumstances governing such competition as justify the higher charge for the shorter distance.

There are a great many circumstances when such higher charge can and ought to be made. An illustration in one moment can be given, as it strikes my mind [drawing a diagram and submitting it to the committee]. Suppose that [indicating] is the Hudson River road. Here is Albany and here is Buffalo [indicating]. Here is the New York Central and Hudson River Railroad running up through the very richest portion of the State. There is no reason why the New York Central and Hudson River road should charge a higher rate from New York to that point [illustrating], than from New York to that point [illustrating], nor should it charge a higher rate from New York to that point [illustrating] than from New York to that point [illustrating]. But take another road running from New York in this direction [illustrating], through a very thinly populated, thinly settled, district, having sterile soil and very little business. This road has got to charge high rates of freight all along here, but when it reaches this point of intersection with the New York Central and Hudson River road, it is confronted with 8 cents a hundred from there to New York. This poor road has got to charge no more than 8 cents a hundred, or it gets no business from this competing point. Eight cents a hundred may be a little something over the cost of hauling and handling; and therefore it is better to take it than to sacrifice the business; but if it takes it, and it is precluded from charging more than 8 cents a hundred from these other points, the road is hopelessly bankrupted and cannot pay its fixed charges. If this road is precluded from charging any higher rates from intermediate points, than the New York Central charges from the competing point, it has either got to give up its business at the competing point or become bankrupt; therefore, it would not be just to restrict it to a rate from this point to New York no higher than from this point to New York [indicating].

Senator HARRIS. You mean from this point of intersection, in your opinion, that railroad company would be justified in charging a higher

rate of freight than 8 cents a hundred to this central point in that road [indicating] while it was transporting from the same point to the city of New York for 8 cents a hundred ?

Mr. ROGERS. Yes, sir.

Senator HARRIS. You go to that extent ?

Mr. ROGERS. Yes, sir ; because that road may be in such a condition that it has got to charge 25 cents a hundred or become bankrupt. Now when it strikes this point [indicating], it strikes a very rich road with a great amount of business, that can carry at the minimum rate.

Senator HARRIS. The plain English of it is that from that point to New York it cannot get more than 8 cents, but from that point to any intermediate point, that road being the only means of transportation, it has the community in its power, and therefore can extort what it demands.

Mr. ROGERS. It has the community in its power ; but the question is, should not the railroad be permitted to earn to a sufficient extent to pay a reasonable rate of interest upon its bonds and dividends upon its stock, provided they have been issued in good faith and gone into the construction of the road.

Senator PLATT. Your idea is that the diagonal railroad which you have marked upon the diagram is on the whole a benefit to the community ?

Mr. ROGERS. Exactly.

Senator PLATT. And that the community must pay enough to keep it up, and that the fact that it is compelled to take grain at 8 cents a hundred from this point to New York, because the New York Central transports it around the angle at the same rate, should not prevent its getting enough along the line of its road to support itself.

Mr. ROGERS. That is it ; that is the whole question. There is another point. You cannot make an iron-clad rule that it shall not be permitted to charge more from these intermediate points than from those points [indicating]. Two alternatives present themselves. One is to charge 8 cents from this point to New York and 8 cents from every intermediate point. The other alternative is to give up business at these points altogether. If it gives it up altogether the result is it will simply increase the rates at intermediate points, and the people living there will be worse off than before. There is no escape from that.

The CHAIRMAN. And the giving up of business by that road at the intersection with the other road would result in a failure to accommodate the people in the interior along that cross-cut line, and add to their burdens, would it not ?

Mr. ROGERS. It would have that effect.

The CHAIRMAN. There is no other road to accommodate them by bringing their goods along that line.

Mr. ROGERS. The question of the long and short haul has received a great deal of discussion. In some States statutes have been enacted with regard to it, and in the State of Pennsylvania there is a constitutional organic provision on the subject. There no railroad is permitted to charge more for the short than for the long haul. The principal railroad in the State of Pennsylvania, at least running east and west, is the Pennsylvania Central, which is an immense trunk line and which ought not to charge more for the short than the long haul.

Senator PLATT. It does not apply to its branches ?

Mr. ROGERS. It applies to every one.

Mr. O'DONNELL. President Roberts wrote us in relation to that that the Pennsylvania road had always adopted this rule.

Mr. ROGERS. The effect, you know, of enforcing this rule in the State

of New York, without exception, would simply be to make every road in the State carry at the rates of freight and fare that the richest and best equipped road with all its business can carry. A poor road running through a mountainous country, if it intercepts a trunk line, has got to give up business at the point of intersection or carry at the same rates the rich lines can carry at. Therefore, it seems to me that it is fraught with danger to enact that into statute until we have seen a little more how it is going to work, and I think the same reason would apply as to making a Federal statute covering all the railroads in the country.

Senator PLATT. You think it is a matter a commission could deal with to determine whether, in a particular case where complaint was made, a railroad was charging too much?

Mr. ROGERS. Where complaint is made that too much is being charged from a particular point the method in which our commission deals with it is this: We take up the question of the cost of the construction of the road, we find out how much it has taken to build it, how much stock and how many bonds are out, and how much has gone in good faith into the construction of the road. We then take their revenues and see whether those revenues are paying a fair rate, after the cost of hauling and handling are taken out, upon the cost of construction. If so, we reach the conclusion that the general rates upon that road ought not to be diminished under the guarantee of the general railroad act.

Senator HARRIS. What do you assume to be a fair rate?

Mr. ROGERS. In the State of New York 10 per cent. upon the capital actually expended is allowed to be earned by law.

Senator HARRIS. A dividend of 10 per cent.?

Mr. ROGERS. Yes, sir; in general terms.

Senator PLATT. In dealing with this question, do you call the "cost of construction" what the company represents the cost of construction to be, or do you try to get at what the road was actually constructed for?

Mr. ROGERS. We get at what it actually was constructed for. Of course we cannot go into the question as to whether they paid more for their iron or their ties than they really ought to have paid, but we do substantially get at the question what amount of money went in, and take out the "water."

#### COST OF RAILROAD CONSTRUCTION.

Senator PLATT. Suppose the company in building the road let the contract to a construction company in which parties interested in the building of the road were also interested and made a very large and unconscionable profit out of that contract, do you consider that at all?

Mr. ROGERS. That specific question has not been brought before us, although I can see that it would be very embarrassing. Not having been brought before us I cannot answer it, but a number of cases have been brought before us where we were obliged to find out the cost of construction, and we did it substantially. The elevated roads was a case in point. They are stocked and bonded for \$45,000,000. We found their actual cost of construction was \$22,680,000, and Commissioner O'Donnell found in his minority report that it was \$22,250,000.

Senator PLATT. Have you had any practical difficulty as a board in getting the information you sought from the railroad companies?

Mr. ROGERS. Not where the information existed. The railroad companies have been, I think without exception, most willing that we should examine their books, but there have been cases where the railroad is old and the books have been entirely lost or destroyed.

The CHAIRMAN. Have they shown a willingness to give you honestly all the information they have in their possession?

Mr. ROGERS. They have universally done that.

#### COMMISSIONS TO LARGE SHIPPERS.

The next question propounded in your circular is :

Should any concessions in rates be allowed to large shippers except such as represent the actual difference in handling such shipments, and if so, should such concessions be made known to the public?

I think that question can be answered in general terms, and has been so answered by the chairman of our board in stating that the only rule applicable is that corporations should charge for like service the same to all under like circumstances. It is impossible to determine just what rate a railroad corporation can allow a manufacturing enterprise, for instance, a glass works, an iron works, or something of that kind. It seems to me all you can say is that if you allow A, engaged in the iron business, such a rate, you shall allow B, in the iron business, the same rate.

Senator PLATT. From the same point?

Mr. ROGERS. From the same point, and if at different points the rates shall be substantially the same, with allowance made for the difference in the haul.

#### UNIFORMITY OF ACCOUNTS.

With regard to the next question—

Should corporations engaged in interstate commerce be required to adopt a uniform system of accounts?

It seems to me that that would be a very desirable conclusion to reach, and it could be easily done, for instance, by adopting a method or system of accounts such as obtains in any one State, or by making up accounts to combine the merits of them all. That is what we did in this State. We looked over the whole subject very carefully indeed, and finally determined, after two years' experience, what we considered the best form, and that is put at present in shape and will be conformed to by the railroads next year.

The CHAIRMAN. You mean in their reports to you?

Mr. ROGERS. Yes, sir; in their reports of their financial condition. There is hardly anything they do not report. If the Federal Government required a system of reports like that it would not be onerous upon the railroads. They could make them up at the same time.

The CHAIRMAN. You would require them to keep their accounts on a plan adopted by the board?

Mr. ROGERS. Yes, sir; that is we require them to keep their accounts in such a way that they can answer the specific questions. We do not say, "you shall keep your journal so and your ledger so," but that "you shall answer this question and that question," and then we put out a book of explanations which will enable them to conform to our requirement. We did that after consultation with the railroad companies. We conferred with the railroad accountants, and had a long discussion. We received the suggestions of each, and finally determined upon a form.

The CHAIRMAN. You got together on the proposition?

Mr. ROGERS. We got together on the proposition, and we can fairly say it is satisfactory to the railroads.

Gentlemen, I am very much obliged to you for your kind attention, and do not know that there is anything else that I want to draw attention to.

## JOHN O'DONNELL'S STATEMENT.

JOHN O'DONNELL (a member of the board of railroad commissioners of the State of New York) appeared and said :

Since 1869 I have labored in the State of New York for a commission act. I believe I introduced the first railroad commission act in the legislature of New York, in 1869, when I was senator. It was followed by the Hepburn committee, whose report lies before you one of the most exhaustive reports ever made in the State. It was conducted by Mr. Sterné, one of the ablest lawyers of New York.

## THE NEW YORK COMMISSION.

The New York commission law is peculiar in some respects, in that it provides for a non-partisan board, supposed to be one Democrat, one Republican, and one member representing the Chamber of Commerce of the State of New York, the New York Board of Trade and Transportation, and the National Anti-Monopoly League. I was selected by these boards under the law.

The chairman has stated the powers of the board very fully, with one exception. I noticed that he did not allude to the fact that we have power over express companies, fast-freight lines, blue lines, white lines, and all other lines that run over a railroad, but we have no power over the transportation of freight by water. Our recommendations have been almost universally obeyed by the railroads of the State.

The CHAIRMAN. I suppose if they obey your recommendation, that is the end of it, and you do not go to court at all?

Mr. O'DONNELL. That is the end of it. Now, I want to state another fact, which is very important from my standpoint. I believe our commission act would be like a rope of sand were it not for the fact that the principal railroads of the State of New York have cheerfully obeyed our recommendations. Had they treated us as one or two lateral roads have, we should not probably have had a single recommendation obeyed. The first among these is the New York Central, which was formerly the worst opponent of a commission law that we ever had. I have appeared and argued against Mr. Depew, time and again, for years, in favor of a commission act; but since the enactment of the law the New York Central road has been foremost in obeying our decisions promptly and pleasantly. The importance of this remark will be seen when I state that we have had forty-six complaints against the New York Central Road.

The CHAIRMAN. You mean during the last year?

Mr. O'DONNELL. No, sir; since the organization of the board, about two years ago; and all but four have been decided in favor of the New York Central. One decision alone against the road took out of their treasury \$200,000 a year, and will for all time.

The CHAIRMAN. Are they paying it?

Mr. O'DONNELL. They are losing it in receipts. It was the reduction of the milk rate over the Harlem Railroad. Mr. Depew has stated that it took \$250,000 out of their treasury in the first year; but it is safe to say that it has taken about \$400,000 in two years; and yet they have cheerfully obeyed this and every other decision. The same remark may be made in regard to the Erie Road and the Delaware, Lackawanna and Western. The principal trunk lines of New York have afforded every facility for a fair trial of the law. But had the New York Central Railroad, in the first place, treated us as one or two lateral roads

have, the commission law would have been perfectly worthless, in my opinion.

The CHAIRMAN. If it had turned out in that way, what ought to have been done?

Mr. O'DONNELL. The board have some reason to believe that there is power in our commission law to enforce our recommendation in the courts, and I understand that a test case will be made very soon. I am of the opinion that the legislature did not mean to devolve the duty upon us as clearly and plainly as they have in this act to protect the public against unjust freight charges, and then leave the courts powerless to enforce our recommendations. We have acted upon the hypothesis that there was some doubt about the power of our courts to enforce just and reasonable decisions, and we have been to the legislature twice to get the law amended in this respect; but the legislature has treated us with indifference. When we asked that our decisions and recommendations should be *prima facie* evidence that they were just, in an application of the attorney-general to enforce them, we were told, "You ask for imperial power; you ask for power to regulate the rate of fare and freight over all roads; you want power that never has been granted to any one." We asked only that the courts should have power to enforce our reasonable recommendations. I think the board has all the power it wants, but the courts, if they have not, should have power, and the attorney-general also, to enforce our decisions and recommendations when they are right and just.

The CHAIRMAN. Leaving it in the discretion of the court?

Mr. O'DONNELL. Yes, sir.

Mr. Depew stated, in a hearing before the committee of the State senate, the same fact I have stated in regard to complaints against his road, and that one of our adverse decisions had cost them \$200,000; but he added, *sotto voce*, that it had not cost the road anything to go to the legislature to protect its interests for the last two years the commission had been in existence. So, on the whole, he perhaps considers it about an even thing.

Among the bills we recommended was one that a railroad should not make a contract for carrying freight based upon the condition that the shipper should ship the year round by the railroad, and not part of the year by canal, thus discriminating against the canal. Even this just bill to protect the water-ways of the State, which are really the regulators of the through commerce of the State, was not passed by our legislature. Our canals regulate the price of freight and are of national importance.

In an investigation and report made by me, which I will leave with you, "in the matter of the complaint of the Chamber of Commerce of New York and others against the trunk lines of railroads to the West," I think I have demonstrated that grain can be carried from Chicago to New York City for 12 cents, and I also refer to the cost of carrying all classes of freight, giving tables showing cost.

Senator PLATT. Do you mean by all rail or rail and water?

Mr. O'DONNELL. All rail.

I have no question in my own mind but that grain can be carried at a profit to the roads at 12 cents, and I think I demonstrate that from the testimony of Vanderbilt, David Dows & Co., and other parties.

#### POOLING ARRANGEMENTS.

I want to say, with reference to the pool, that I am opposed to a pool in any form. I believe it is illegal, being in the nature of a conspiracy



against commerce. It is so held by the courts, as you will find stated at length in the report already referred to, a printed copy of which I leave with you. I do not believe that any pool, except perhaps a money pool, can exist, without the right to divert freight, which operates as an evenner and also to punish the merchant who ships freight except by the pool. One of the principal objects of the pool, in my opinion, is to punish the shipper who attempts to ship freight at less than pool rates by sending his goods over another line.

#### DIVERSION OF FREIGHT.

In a report by me upon the "diversion of freight," in the matter of the "complaints of the *Traders and Travelers' Union* and *Merchants of New York* against the trunk lines doing business in the city of New York, for diversion of freight to lines other than those selected by the shipper for transportation," you will find the reasons stated in full why a law should be passed forbidding diversion of freights. You will find in it also a discussion of the fast freight lines and their relation to railroads, and some very interesting exhibits prepared by Mr. Fink and other railroad authorities.

#### ADVANTAGES OF COMPETITION.

I do not believe that competition should be interfered with. I believe in the freest competition by railroads, and if there was a railroad man here he would add, "the survival of the fittest." I know of no reason why corporations should not be subject to the same general principles of competition as merchants and other traders, and, in my opinion, when railroads get down to an honest basis of capital they will be willing to accept fair competition as a basis of charges. If a railroad runs through a favored territory, and another road is built in opposition to it, let it fail if it cannot compete.

#### WHAT IS INTER-STATE COMMERCE?

I will take up your questions categorically; but, first, what is inter-State commerce? Gentlemen, you have here a question that will require a great deal of patient study and investigation. I shall not attempt to argue that question now. If I should give you all the authorities I have looked at, it would take three or four days, and I have not looked at all of them. But I want to suggest to you one thought in the beginning of your investigation of this subject, as I think there has been a great mistake made by many who have written on inter-State commerce. They always commence with section 8, article 1:

The Congress shall have power to regulate commerce with foreign nations, and among the several States, and with the Indian tribes.

My suggestion is that you begin your investigation with article 10:

The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.

If you will make that the key-note of your investigation of inter-State commerce, in my judgment it will lead you out of a great many legal labyrinths. To tell me, as a layman, not as a lawyer, that the makers of the Constitution of the United States, long before a railroad existed or any such commerce as this was dreamed of, provided, in advance, that the State of New York, for example, should not control a corpora-

tion that she created, so far as to protect her own citizens from a wrong, is absurd. I will illustrate my position by reading from a minority report by me in the matter of "R. F. Stevens and others, J. M. Horton Ice Cream Company, against the New York, Lake Erie and Western Railroad Company." I will leave a printed copy with you.

The following I read from the report, as a part of my argument:

The State of New York has never surrendered its power to the General Government to regulate and control the railroad corporations she has created. If this board refuses to investigate this case for want of jurisdiction, and the milk traffic is inter-State commerce, then there is no power to regulate the rate of freight generally on railroads running partly through another State, even if the line in such State does not exceed a rod in length, or to prevent the most unjust discriminations against the citizens of the State in carrying its products to and from New York, the chief market of the State. Of course, New Jersey cannot regulate this commerce, and Congress having never acted, it follows that this road, and all others similarly situated, are at liberty to charge any rate of freight, without let or hindrance.

The gravity of such a decision will be seen when it is considered that there are twenty-eight railroad corporations chartered by the State of New York, whose aggregate length is over 5,000 miles, running through or into other States, or about 70 per cent. of the mileage in this State, which, under this ruling of the board, would not be subject to the examination and recommendation provided for in the railroad commission act in a case involving the question of inter-State commerce, and therefore could impose such tolls upon commerce as they pleased, and the citizen would have no remedy for the most unjust discriminations or wrongs committed by such roads.

The report concludes as follows:

Inter-State commerce not having been defined by any act of Congress, and the exercise of the sovereign power of the State being necessary to protect its citizens against wrong-doing on the part of the corporations of the State, therefore the State may proceed to regulate or restrain such corporations in any wrongful action toward its citizens.

The point of difference between my colleagues and myself is that milk carried from this point [indicating] to New York passes through New Jersey. I contend that the State of New York has the right to protect the citizen living along here [indicating] against an unjust discrimination. Suppose the railroad carries milk from this point to this [indicating] at 4 cents, and charges from this point [indicating] 5 cents. I say the State of New York has the right to protect its citizens against a wrongful discrimination, and my colleagues say, this being inter-State commerce, it is not subject to the regulation of the State.

Mr. KERNAN. The point is this: You start from a place in New York here [indicating] and you strike the New Jersey line. Now, then, a shipment which we insist is an inter State shipment is where the shipment is from that point to Jersey City, one shipment under one bill, so so that it necessarily passes through two State jurisdictions. That we insist is an inter-State affair, if it is from that point to that point [indicating].

Mr. O'DONNELL. Just a rod over the line.

Mr. KERNAN. Whether a rod or a foot makes no difference in principle if two jurisdictions cover the route.

Mr. O'DONNELL. The same question is discussed in another minority report of mine, which I hand you.

In the matter of the complaint of K. E. Bunnell, of Guilford, Chenango County, against the New York, Ontario and Western Railway Company, on account of freight rates.

This involves the question of bringing grain from Chicago into this State. I believe my associates hold that the shipment of grain into this State by rail from Chicago is inter-State commerce; and it therefore follows, if the New York Central brings a cargo of grain from Buffalo, and should make the grossest discriminations along the line of the road,

that this State has no power to protect the citizen by forbidding such unjust discriminations. If I am correct, then 70 per cent. of the railroads of the State of New York are entirely without the jurisdiction of this commission or of the legislature; and this, it is contended, was one of the rights that the State of New York surrendered at the time the Constitution was made. I do not believe the doctrine.

#### PREVENTION OF EXTORTION AND DISCRIMINATION.

You ask, first, in the interrogatories which your committee has prepared—

The best method of preventing the practice of extortion and unjust discrimination by corporation engaged in inter-State commerce.

There is a very important question to be decided before your interrogatory can be answered: How much power has the United States to come into the State of New York and regulate commerce carried by a corporation the State has created? You will have to meet that question. I do not know of any decision of the courts concerning it. It is a very delicate question. I am a State rights man, and I am very frank to say that I do not believe Congress has any power except to regulate commerce between the States, that is, to prevent one State from passing laws that shall injure the commerce of another State. That is what I understand was the principal argument used for the adoption of the inter-State commerce clause. A State must not be hostile to her sister States.

The CHAIRMAN. One State must not build up a wall against another?

Mr. O'DONNELL. Must not do anything of that kind; but that does not preclude the State from taking care of the rights of her own citizens. She must have that right or she is a slave. I may say the best method I know for preventing extortion is a long and short haul law, and in the Bunnell case, already referred to, you will find a report of the commissioners of Massachusetts on the short-haul law, where they combat the idea that it is a failure. They indorse that law in the highest manner, and say it has been a complete success from the beginning.

Senator HARRIS. That is the law prohibiting the charging more for the short than the long haul?

Mr. O'DONNELL. Yes, sir. I consent to one exception. As a New Yorker, where we came in competition with a Canadian road, in such a case I say to our road, "Go in and do your best." Suppose there was competition along the Saint Lawrence River or the Grand Trunk Railroad; I should say to the New York corporation, "Do your best; get your freight there at the best rate you can, and you do no injury." You will find that exception stated in a report written by me, "Harding & Hollis, Oswego County, New York, against the Rome, Watertown and Ogdensburgh Railroad Company," which is included in our second annual report to the legislature.

Mr. KERNAN. Those were cases in which we permitted exceptions to be made to the rule.

#### REASONABLENESS OF RATES.

Mr. O'DONNELL. The second question of the committee is:

The reasonableness of the rates now charged by such corporations for local and through traffic.

That is a very difficult question to answer, and I will give you the reasons under another head.

## PUBLICITY OF RATES AND CHARGES.

The next question is :

Whether publicity of rates should be required by law, whether changes of rates without public notice should be prohibited, and the best method of securing uniformity and stability of rates.

The publication of rates has been a success in England and on the continent. It is yet to be tested with the Yankee way of doing business. Along a line of country that has rival routes, I am not prepared to say whether a prohibition of changes of rates without public notice will benefit the shipper or result in combinations that will hurt him. Stability of rates will be secured when railroads are capitalized on honest cost and fair dividends earned, as I will show hereafter.

## MAXIMUM AND MINIMUM RATES.

The next question is :

The advisability of establishing a system of maximum and minimum rates for the transportation of inter-State commerce.

That goes back to the question again whether you have the power to come into a State and say what shall be the price charged from station to station.

## FACTORS IN FIXING RATES.

The fifth question is :

The elements of cost, the conditions of business, and the other factors that should be considered in fixing the tariffs on inter-State traffic.

What does a railroad cost ?

That is a very important question, upon which our commission have not been unanimous. We have differed as to what a railroad actually costs, and we differ very widely as to what is "net income" and what a railroad should earn.

In the first place, what is called a guarantee on the part of the State that railroads shall in any event earn 10 per cent. originated in the State of New York, and wherever it is found elsewhere it is copied from the New York law. I contend that there is no guarantee in our State that a railroad should earn 10 per cent.; and upon that, and also what is the cost of railroads and net income, I refer you to the printed report made, which I hand you "In the matter of the assembly resolution of date of February 11, 1885, relative to section 33, chapter 140, laws of 1850." I argue in this report that there was never intended to be a guarantee of 10 per cent. upon the stock of railroads on the part of the State. There is not a bill passed by the State of New York but what concludes with the clause that "the legislature may at any time alter, modify, or repeal this act," and therefore, even if there was a guarantee, the legislature may at any time alter, modify, or repeal it. There was not a single charter granted in the State, before we had a general railroad act, but what had that provision in it, and, besides, we have it incorporated in the constitution of the State.

The CHAIRMAN. The right of the State to modify the act?

Mr. O'DONNELL. Yes, sir.

Senator HARRIS. I understand that there was not a guarantee of a dividend of 10 per cent., but there was a pledge that the State would not interfere with the railroad tariffs, would not reduce rates, until 10 per cent. had been earned?

Mr. O'DONNELL. I argue that there was never such a pledge made, that there is such a section, section 33 of the general railroad law, but that it was not put in as a guarantee by the people at the request of the people, but was put in by railroad influences, and if there was ever such a moral guarantee it expired years ago, as you will find stated in my argument.

Then you ask as to—

The elements of cost, the conditions of business, and the other factors that should be considered in fixing the tariffs on inter-State traffic.

What does a railroad cost? Take, if you please, the West Shore Railroad as an illustration. It is all built upon bonds sold at a large discount. There is a great aggregation of bonds and stock. Is that the cost of the railroad? If you hold the people to the guarantee of any dividend, it should be upon an honest cost, not upon the "water." Upon that question our commission is agreed generally, but when we come to what is "net income" there we disagree. The point is stated as follows in the report just handed you:

If we have accurately stated the meaning of "*capital actually expended*"—

That is the phrase used in section 33 of our act—

the next inquiry is, what is meant by "the net income derived by the company from all sources for the year then last past?" The answer of the railroads is that it is the sum left after paying the cost of operation and the "*fixed charges*." If a road is mortgaged, it is reasoned, certainly the charges must be paid; hence they are "fixed" and are of the same nature as legitimate fixed charges, such as rentals paid for buildings, for depots, side tracks, &c. The present managers of railroads are not disturbed by any exhibit of the items in detail of past construction accounts, the obvious answer being that these things happened "under a previous administration;" but when it is contended that interest or discounts fraudulently paid on bonds or money borrowed "under a previous administration" is equivalent to a dividend, and should be added to the dividend on capital to find "net income" in the eye of justice and the law, there is a stout resistance. The illustration of the elevated roads is again in point. Five million dollars in round numbers, was found to be "water," representing discounts, &c. This \$5,000,000 is now a part of the bonds of the road on which interest is paid. If this interest so paid is not a part of the net income of the road equally with the dividend, then the people in such a case will never see the time when that road or any other earns 10 per cent.; for if such a period should ever approach, it will be, judging from the past, forestalled by issuing more bonds, upon which to absorb the earnings of the road to pay interest as "*fixed charges*."

A road borrows money and pays the interest on that borrowed money out of the earnings of the road and says that is "fixed charges." I say it is "net income," and upon that I quote the decision of the Supreme Court in the case of the Union Pacific Railroad Company *vs.* The United States (99 U. S. Rep. [Otto, V], 9, 462), where the court declares:

As a general proposition, net earnings are the excess of the gross earnings over the expenditures defrayed in producing them, aside from and exclusive of the expenditure of capital laid out in constructing and equipping the works themselves. \* \* \* All payments of interest on the bonded indebtedness of the company should be charged to capital, interest account, and not to current expenditures. Though payable out of earnings before any dividends can be made to stockholders, they cannot be deducted for the purpose of ascertaining the net earnings of the road. \* \* \* The bonded indebtedness incurred for the purposes of construction and equipment is, but another form of capital and analogous to preferred stock, and the interest accruing thereon is in the nature of a dividend on such capital. It has nothing to do with, and cannot affect the amount of, the net earnings of the road.

Now, gentlemen, when you come to get at "the elements of cost, the conditions of business, and the other factors that should be considered in fixing the tariffs on inter-State traffic," you must ascertain what the roads cost, what it cost to procure the roadway, &c.—I use the term "hard dollars"—to buy the iron, to build the roadway, to lay the track,

to equip the road; and every dollar used in discount for bonds, "water," or any other purpose except construction must be cast aside. Discounts and interest on borrowed money stockholders must settle out of their own pockets, or, if paid from earnings, be treated as dividends. If such "fixed charges" are cast aside, you will be astonished to find that the railroads of the United States, instead of being bankrupt, instead of not being able to pay dividends, are paying enormous dividends. Poor's Manual, in the last report, says that the railroads of the country are paying over 9 per cent. on honest capital. That is what Mr. Poor says.

Senator GORMAN. May I interrupt you there to ask a question?

Mr. O'DONNELL. Yes, sir.

Senator GORMAN. That is, paying 9 per cent. on the actual cost of the roads. How far does that extend back? Does it go to the beginning of the roads, or only to the period of the last four or five years?

Mr. O'DONNELL. I will read what is stated in Poor's Manual for 1884, pages 3 and 4, on that subject:

The increase of share capital and indebtedness of all the companies for three-years ending December 31, 1883, was \$2,093,433,054, the cost of the new mileage, as represented by share capital and debt, being about \$70,000 per mile. The increase in the three years of the funded debts of all the companies was \$924,165,440; of their floating debts, \$169,880,406; of the two, \$1,094,045,846. It is not probable that the cost of the mileage constructed in the three years equaled the increase of funded and floating debts by at least the sum of \$200,000,000. The cost of mileage constructed certainly did not exceed \$30,000 to the mile. The whole increase of the share capital, \$999,387,208, and a portion of the funded debt, was in excess of cost of construction. If it be assumed that the cost in money of all the roads in operation in the United States in 1883 did not exceed, as it certainly did not, the amount of their funded and floating debts \$3,787,410,728, the actual investment was a most profitable one. The net earnings for the year were \$336,911,884, a sum equaling about 9 per cent. on their cost. If the fictitious capital could be eliminated from their accounts, their success as investments would have no parallel.

I give you illustrations in my report last handed you of the earnings of the railroads in our State. The Erie Railroad is stated by my associates, in the report referred to, as a bankrupt road, paying nothing. I state that on my theory it paid over 12 per cent. on its capital last year.

The CHAIRMAN. You mean its original cost?

Mr. O'DONNELL. Its actual cost. I show that they increased their capital one year over \$30,000,000, and the reason they gave was that they had to lay down steel rails. In the vernacular of the newspapers at that time, they spelled steel rails "s-t-e-e-l." When you get at what railroads should earn, the first thing is to get at their honest capital, and you will find, in the language of Mr. Poor, that they are magnificent investments.

Senator PLATT. The ownership of the roads has passed largely out of the hands of the men who watered the stock. Does that fact make any difference in your mind as to the amount of earnings they should be allowed?

Mr. O'DONNELL. You have raised a difficult question, and one that, as a just man, I have considered very much. Where a State, by legislative action, has legalized watered stock, it cannot afford to repudiate it. Where there has been no legislative action, I know of no rule of law or ethics which makes an investor in railroad stocks stand differently from an investor in any other stock. I think the sooner the idea that no matter where a road is built, or for what purpose, when its stock or bonds are put on the market somehow they are guaranteed against loss, is dissipated, the better for all concerned. The commerce of the

country must not be burdened to pay large dividends on watered railroad stocks, it being inimical to the prosperity of the commonwealth.

Senator PLATT. You think this question of watering is so well known that persons who buy railroad stock buy it with knowledge?

Senator HARRIS. With such knowledge as to put them on inquiry?

Mr. O'DONNELL. The courts have decided that a man buying stock must buy with his eyes open, and this is the way the public buy all other securities.

#### REBATES AND DRAWBACKS.

Your next question is:

Should any system of rebates and drawbacks be allowed? If so, should such transactions be regulated by law and be subject to official inspection or approval? Or should they be entirely prohibited?

I answer, subject to official inspection and approval.

The CHAIRMAN. Would you allow rebates?

Mr. O'DONNELL. If allowed, they should be subject to official inspection or approval.

The CHAIRMAN. It has been stated frequently that under the pooling system, or some other drawback system, the trunk lines had paid out to the Standard Oil Company about \$10,000,000 of rebates or drawbacks.

Mr. O'DONNELL. You will find all the testimony upon which that remark originates in these volumes.

The CHAIRMAN. Is it a fact?

Mr. O'DONNELL. It is a fact that a large amount was paid by this company, and you will find it set forth in full in the Hepburn report. There is a very copious index, and if you will examine there you will find it.

Mr. ROGERS. That was six years ago; but you admit, I think, that many of the abuses which existed then have since been rectified?

Mr. O'DONNELL. I have not heard that the Standard Oil Company have corrected any of their abuses except as the courts have made them do so.

The CHAIRMAN. Do you understand that they are still getting drawbacks and rebates?

Mr. O'DONNELL. I do not know about that. We have never had any occasion to investigate it.

#### SELECTION OF LINES BY SHIPPERS.

The eighth question is:

Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?

I say, yes, and refer you to the report already alluded to on the diversion of freight.

#### UNIFORMITY OF RATES.

The next question is:

By what method can a uniform system of rates for the transportation of passengers and freights by all the corporations engaged in inter-State commerce be best secured?

I cannot answer that question. How can you make a uniform rate without destroying competition?

## THE LONG AND SHORT HAUL.

The next question is :

Should corporations engaged in inter-State commerce be permitted to charge a lower proportionate rate for a long than for a short haul? Does the public interest require any legislation on that subject?

I do not believe in the doctrine of permitting a railroad to carry freight to a terminal point, unless with the exception already stated, and charging more than at an intermediate point. I believe a greater charge a very unjust discrimination against the intermediate point. I think, as a general rule, stations along a road somewhat near a terminal point should be satisfied at such a rate, for in the majority of cases there is such competition at the terminal point as brings charges down to the lowest living rate. I think the people along the line should be satisfied to have the same rates, and I believe if this rule is adopted in this State and other States it will do very much to correct discriminations along the lines of roads.

The CHAIRMAN. You mean if they were allowed from this point [indicating] 8 cents to New York, they could charge the same between that point and any other station?

Mr. O'DONNELL. That is my general idea of stations reasonably near a terminal point.

Senator PLATT. Take Buffalo, 450 miles from New York, more or less. Coming by the New York Central we pass through Yonkers. You would not think it was right to charge the people of Yonkers as much as they charge to Buffalo would you?

Mr. O'DONNELL. From New York to Yonkers I don't say they shall charge as much, but not any more. We fix the maximum point.

Senator PLATT. If you say they shall charge no more, will not the railroads consider that an implied license to charge that much?

Mr. O'DONNELL. They have not in Massachusetts, where they have tested it, and my own opinion is that railroads are disposed to be as fair as individuals, and such a charge for a short distance would not be tolerated.

Senator PLATT. You can leave that to be regulated by public sentiment, so that it would not be extremely oppressive?

Mr. O'DONNELL. So that if complaint was made to our commission we should bring the weight of our influence to correct it, and, from our past experience, it would be corrected, with the exception, perhaps, of a few lateral roads which make a good deal of trouble; but, as I said before, the larger roads have treated us well, as a whole.

The CHAIRMAN. You think it would be safe to provide by law that there should not be charged more for a short haul than for a long haul?

Mr. O'DONNELL. I believe that would be safe and a move in the right direction, and I believe it would correct a great many abuses. I know of many abuses on lateral roads it would correct at once. I know a road that charges for 90 miles 25 cents and for 59 miles 40 cents in the same direction. We are trying to correct it, but we cannot if these roads will not obey our recommendation. Some of the smaller roads are as much larger in their own contemplation than the great roads as you can possibly imagine. The larger roads have uniformly complied with our recommendations and made it very pleasant for the commission to deal with them in the matter of accidents and everything of the kind, but with the small roads it has sometimes been very annoying.



## CONCESSIONS TO LARGE SHIPPERS.

The next question is :

Should any concessions in rates be allowed to large shippers except such as represent the actual difference in the expense of handling large shipments over small shipments, and should such concessions be made known to the public?

That is another difficult question. A small shipper should have a car-load as cheap as a large shipper, but there are a great many questions that arise, for instance the shipping of ore, or coal, or something of that kind, when perhaps that rule could not be safely applied; but in the general shipment of freight I think every railroad commission should be careful to see that the small shipper has just as low a rate for one car as the large shipper for a hundred cars. The only way the small man can live is to have the law step in and protect him. Governments are instituted to protect the weak; the strong can take care of themselves.

The CHAIRMAN. What would you put in the law to fit your idea of the necessities of business?

Mr. O'DONNELL. I should leave that to the recommendation of the State or national commission. I should leave those questions to a commission which reports regularly to the law-making power, and the law-making power can correct the evils. Generally speaking, I want to say that I think the New York commission has got power enough. I do not want any more, only I want the courts and the attorney-general to enforce our just recommendations. I can say generally, after giving this subject a good deal of consideration (and while I am called very radical, I think I am as conservative as most men and as careful of the interests of railroads), that I believe our commission has power enough, but that the courts and the attorney-general should have more power. We ought not to be forced to go before such a legislature as we had in the lower house last year and beg of them, for mere justice to the people, an amendment to prevent unjust discriminations.

The CHAIRMAN. How are you going to help it when you fail to get legislation?

Mr. O'DONNELL. I propose to help it in the same way we got the commission law. Some gentlemen went through the State talking to the people until a sentiment was created that compelled the passage of the law. We find it safe to trust the people. In the end they will protect their own interests.

## CORPORATION REPORTS.

As to the question—

Is it desirable that such corporations should be required to make annual reports to the Government? If so, what information as to their earnings, expenses, and operations should such reports contain?

Our quarterly report system, which originated in our board, is the most valuable, in my opinion, of any railroad literature, giving the public a full knowledge of railroad facts, far better than anything that has ever been devised. They are working admirably in our State, and give the stockholders and investors the information they want. I believe I have substantially answered the questions.

## OVERCAPITALIZATION.

In conclusion, I want to say, in the interest of commerce, I believe that the water is percolating out of the railroad stocks of this country.

I believe you will never again see railroads watered as they have been heretofore. When the railroads are honest to the people, when they are managed in the interest of the people and of commerce, the people will be friendly to the railroads. Competition for commerce will take all the water out of the railroads, and will force them to carry at a living profit and at a small profit too. I do not believe that railroads should make 10 per cent. I do not know of any royal guarantee to railroad stocks and bonds over other investments. We want good railroads for the commerce of the United States. New York and the great West do not want to be burdened with paying 10 per cent. even upon honest capital, but when the railroads seek to pay 10 per cent. upon watered capital they are doing every citizen of this State and of the United States a rank and gross injustice. Commerce demands cheap waterways, cheap railroads, cheap systems of freight, and then, having obtained these, the other questions will take care of themselves.

Railroads are struggling to make 10 per cent. upon dishonest capital. The struggle is not to make fair dividends upon an honest capital, but to force the commerce of the country to pay earnings upon capital grossly watered. The people will be the friends of the railroads, just as they were in the State of New York to the canals. We have just made the magnificent donation to commerce of \$53,000,000 in a free canal. The time will come when the people will be the friends of the railroads, as they have been to the canals, and do everything they can to make them cheap ways of carrying freights and passengers over and through the different States.

The prejudice against railroads will be dissipated when railroads are honest, or are made to be honest by basing their earnings upon honest capital.

Senator PLATT. Suppose that the stock of a railroad, or any other corporation, falls to a point where it correctly represents the cost—you say that some of these elevated roads have a capital largely in excess of their cost—suppose the stock of such a railroad should fall to a point that actually represented its cost or value, is there any way you know of that the State can oblige the company to reorganize on that basis?

Mr. O'DONNELL. Probably not, but the State can limit their earnings so that it is a practical reorganization on a basis of honest capital. They can reduce the rates of fare and freight.

Senator PLATT. Do you think it ought to be done?

Mr. O'DONNELL. Certainly. I think railroads should only be permitted to earn a fair dividend on honest capital.

In conclusion, I have only to add, put not your faith in the promises of a railroad commissioner when he says that he will talk to you half an hour only.

The committee adjourned until to-morrow at 10 a. m.

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NEW YORK, May 21, 1885.

The committee met pursuant to adjournment.

### SIMON STERNE'S STATEMENT.

SIMON STERNE (representing the Board of Trade and Transportation of New York) appeared.

The CHAIRMAN. Mr. Sterne, if you will allow me the suggestion, we shall be very much obliged if you will confine yourself as closely

as you can to the specific questions that we are compelled to investigate, and we shall be glad to hear you fully upon them.

Mr. STERNE. I shall endeavor, gentlemen, to confine myself to the questions as closely as possible.

The CHAIRMAN. I do not mean that you shall be confined to the interrogatories prepared by the committee, but to the general subject.

#### THE RAILROAD PROBLEM IN EUROPE.

Mr. STERNE. I wanted to premise just a few observations as to how it came to pass that England and America have had a railway problem, and that France, Germany, Belgium, and the other states of Europe have not had; and when we look over the blue books, committees and commission reports of Parliament, and the English laws we find that, with the exception of the one difficulty that arises with us in consequence of the conflict and division of the jurisdictions of the States and the nation at large, the English people have passed, step by step, the same difficulties and encountered the same questions, with but very few exceptions, that we are passing through and meeting now, only that they have them largely behind them by about twenty years, and we are still very much in the position the English people were in about a generation ago. On the other hand, the German and French people have not been placed in any analogous situation, and that arises from the fact that a misconception arose, when railway companies were originally chartered and railways came into existence, as to their functions. It was supposed that the corporation that would be chartered to make a railway would simply be the builders of a highway, and that upon that highway competitive traffic would proceed precisely as upon the ordinary highway, and that conception is carried into the charters of the first railway company which built a line—the Manchester and Liverpool Railway—and indeed into all the charters which were granted in England from 1823 to 1828 or 1829, and so in our original charters. For instance, the charter of 1828 to the Ithaca and Owego Railway, which forms now one of the links of the New York Central, contains, in section 12, this provision:

All persons paying the toll aforesaid may, with suitable and proper carriages, use and travel upon the said railroad, subject to such rules and regulations as the said corporators are authorized to make by the ninth section of this act.

The Senators of this committee will perceive, therefore, that the conception which entered into the minds of the legislators, at the beginning of these enterprises, with reference to the function of these builders of highways, was that they would build a highway with rail upon it instead of the ordinary turnpike, and that they would fix the tolls to be charged for the use of the highway for carriages going upon that highway, to be drawn by steam-engines instead of by horses, and that competing traffic should proceed upon that highway as it would on the ordinary highway.

Senator HARRIS. By any one paying the tolls?

Mr. STERNE. Any one paying the tolls, precisely as on the turnpike he would pay the toll. That was the conception of the English people, and it was only about twelve years after railway building had proceeded that it was discovered that the railway company would, from the nature of the power employed and from the nature of the service to be performed, become necessarily the monopolists of the carriage upon that highway, and then the English people began to recede from the position that they originally took of chartering these corporations right and left,

without proper restrictions for the protection of their people, and recognized the fact that inherently there was a monopoly element in relation to these highways which did not exist with reference to ordinary turn-pikes. The French and German people, however, built their railways after that fact was discovered. Railway building proceeded in England from 1823 with great rapidity until 1835 or 1836, when the German people began to take up the railway. The French people began to take up the railway about 1835, ten years after the English, or about eight years after we did, and they had already learned the lesson that the railway company was necessarily the sole transportation company, as such, upon the line of the railway. So that they had the experience of a decade to guide them, and hence they adopted precautions which the English and American people had not adopted at the time of the beginning of the railway system. Thus it came to pass that the Anglo-Saxon race had upon its hands a railway problem of a different nature from those nations that started their railway systems a little later, who had the experience of our mistakes to guide them.

#### THE FUNCTION OF RAILROADS AS CARRIERS.

Another misconception had taken place with reference to the function of the railway. It was supposed that it would be solely a carrier of passengers, and but to a very limited and slight degree a carrier of merchandise, and you will find in a report made to the legislature of the State of New York in 1835, ten years after the first railway was built, by Messrs. Jarvis, Holmes, Hutchins, and Mills, the then leading engineers of the State, to whom the legislature of 1834 confided the duty of reporting the relative cost of railways and canals, the following remarkable opinion:

The railroads admit of advantageous use in districts where canals, for the want of water, would be impracticable. They will probably be preferred where high velocities are required, and for the transportation of passengers, and, *under some circumstances, for the conveyance of light goods.*

So that down to that period of time there was a complete misconception as to the function that the railway would play in the economies of transportation. Before 1842, when the great French railways were concessionized, these two misconceptions had already been cleared away, and the nature of the railway was made sufficiently manifest; so that it was not superior ingenuity or superior wisdom, but simply the advantages of the experience made in England and America, which enabled the French and German people to avoid and obviate the difficulties which the English and American people have had to contend with.

#### NEW YORK'S GENERAL RAILROAD LAW.

Railway development happened to come almost simultaneously with the formation of the Manchester school of political economy, which recognized in competition the regulator of all industrial affairs. Hence the misconception that the business of railroading would, like any other business, be subject to this same law of competition, a delusion we have labored under until quite recently, and are not yet quite free from.

In 1850, with the passage of the general railway act in the State of New York, which has been followed more or less closely in every State of the Union, every safeguard intended for public protection was abandoned; and the people of this State, and, as this form of legislation was followed in other States, the people of other States, were remitted

to the natural law of competition, by which in ordinary trade the lowest price and the highest form of service would be given to the people under the beneficent effect of that law.

#### THE LAW OF COMPETITION.

It was very soon ascertained, however, that the law of competition did not apply in cases where the competitors are so few and where they can combine so readily, and that under those circumstances the law of combination is the natural and normal law. It was also ascertained that the law of competition, as applied to railways, produces an entirely different result from what it does in the ordinary functions of life, because by the law of competition a man less qualified to do the business is driven out of business existence; there is the end of it. There is no record of any railway being absolutely, by the law of competition, driven out of the business. You can drive it into bankruptcy, but after you have driven it into bankruptcy you have made it a more formidable competitor than you had before, because you have exonerated it from the expense of paying fixed charges, and all that it needs to do is to pay operating expenses. Under these circumstances a bankrupt road is a more formidable competitor to the solvent road than a solvent road would be, and therefore the ordinary law of competition, by which you have competed with your adversary until he is eliminated out of existence, in ordinary trade, does not apply, because when your adversary is driven into bankruptcy he is more formidable than before. So we have gradually awakened to the fact that intelligent regulation must take the place of competition.

#### RIGHT OF GOVERNMENTAL REGULATION.

Now, let me premise a general observation upon the right of Governmental regulation. It seems to me that regulation—and I mean by that Governmental regulation of railway charges—must be coupled with the granting of a field to a railway corporation.

Senator GORMAN. Granting what?

Mr. STERNE. The granting of a field.

The CHAIRMAN. Giving it certain rights to business?

Mr. STERNE. Giving it the exclusive right to do business within a certain domain, and the abolishing of our present general railway law, by which any combination of people can build a road from any one point to any other point, and exercise the right of eminent domain, without any evidence of public necessity for such a road.

Senator HARRIS. You mean by "giving a field" to give to each road a geographical area?

Mr. STERNE. Yes, sir. If you propose to govern the roads and see that they do justice to the community, and apply arbitrarily whatever surplus of earnings beyond a certain percentage, say 10 per cent., or any other per cent. that may be fixed—if you desire to exercise that right, it must be coupled necessarily with, not a guaranty that they shall earn a certain fixed amount, but that they shall have an opportunity of earning a certain amount, and for this reason: We have heard a great deal and I have talked a great deal about the watering of stock in relation to American railways, and the wrong consequent both to the investing public and to the general public of this illegitimate and improper—I should not say "illegitimate," because it is sanctioned by law—but it is an improper system of exploiting the investing public

If, however, you reflect upon it, you must see, if I am to be permitted to use a bull, that the only "legitimate" profit connected with railway building in the United States is that which is connected with stock waterings or stock manipulations. Under free railroad building you invite individuals to build railways. They build from one point to another point where no railway now exists, and which opens up a new country. For four or five years the men who undertake the enterprise must operate that road without any expectation of getting a decent return or any return, if you please, upon the capital invested. The instant they get a return another railway lays itself alongside of it and divides its traffic. So that it has been recognized in the United States that the profit of railway building is in the original putting upon the public stock and bonded indebtedness—in other words, capitalization far beyond the cost of the original railway—because the shrewd and intelligent projector in the United States understands that with absolute competition and free railroad building there is no expectation of any fair return of profits from the building of new lines. So, then, if you desire to regulate railways in the sense in which railways are regulated in Europe generally, and especially in the sense in which railways are regulated on the continent of Europe, it seems to me that in all fairness, if you want to do away with the false capitalization of railways, you must, in all propriety, couple this with a guaranty of a field until the public necessity shows that the public cannot be served by the existing line of rail, and that, therefore, another line of rail has become necessary.

Senator PLATT. If it does not interrupt you, I want to suggest a question. I find a great deal of stress laid on the idea that the passage of a general railroad law is an invitation by the public to capitalists or investors to build a railroad, which confers an obligation on the public to support the railroad. In one sense it is an invitation, and in another sense it is a permission. Is it an invitation in any such sense that there is coupled with it any obligation whatever on the public to support the railroad?

Mr. STERNE. I think not. My observations are not directed with reference to the fact that under existing conditions there is any obligation upon the public to support a railway that has been built without any public necessity therefor. People take their risks under those circumstances, and they must take the consequences of their mistakes; but if we propose to depart from the system which we have hitherto pursued of relying upon competition, and to rely hereafter upon regulation, which is the course through which the English people have gone, then it seems to me that that change of policy necessarily involves at the same time a change of policy in the other direction of giving to a railway company a field to operate in, so as to do away with the temptation of overcapitalization in the first place, and in the second place to give a corporation a reasonable chance of earning interest upon actual outlay for its road and equipment.

Senator HARRIS. Allow me to suggest an idea that presents a difficulty to my mind. Your suggestion of coupling with regulation a field of operation to each railroad strikes my mind with great force; but this difficulty presents itself to me in respect to Federal legislation upon the subject: The State has exclusive jurisdiction over State commerce, while the Federal Government has jurisdiction equally exclusive over interstate commerce. Now, in passing a Federal law upon that subject, has Congress the power to secure within the State of New York the field that you suggest, if New York shall grant a charter by her general law, or a special charter, to a company to build a particular road within her

own limits in conflict with this field as you suggest? That is a question that presents itself to my mind as one of considerable importance.

Mr. STERNE. I recognize the difficulty, and perhaps, for the purpose of meeting that question, sooner or later we shall have to pass a constitutional amendment to clothe the General Government with the exercise of the power of eminent domain within the several States, for the purpose of chartering inter-State lines and assigning to existing State lines fields, and probably, without such a constitutional amendment, whatever exercise of power Congress may see fit to put forth may be challenged, and probably will be challenged, in the courts, as an impairment of the rights of the States; but it is well to recognize a difficulty which presents itself on the outset of the question, for the purpose of seeing whether what we are doing is not merely a tentative measure until we can produce more far reaching and wider results by changes in the organic law.

#### MORAL TONE OF RAILWAY OFFICIALS.

Another difficulty in this country in relation to our railway enterprises is—and I want to put that diplomatically; I do not want to say anything harsh—the comparatively lower moral status of American railway officials as compared with European officials of the same station, and even as compared with people who are the heads of the ordinary businesses in America. That also is a perfectly natural result in a country where we built, as we did in 1882, 10,000 miles of rail in a single year. We cannot improvise great moral strength and intellectual strength for the purpose of governing those additional 10,000 miles, and we have built railways in such great haste, and so many of them, that the men who are competent intellectually and morally to control these vast enterprises for the best interests of the public and the stockholders cannot be found. We were very much in that respect, in reference to railway building, as would be a nation which has suddenly to improvise an army of a half million of men and properly to officer it. The fact would have to be recognized that it cannot have in every department efficient officers, and it must put up with inefficiency for the time being.

#### THE ENGLISH SYSTEM.

With these general observations, I propose to draw the committee's attention to several facts relating to the English railway question, to which reference was made yesterday by Mr. Kernan. In 1844 a commission, of which Mr. Gladstone, who was then quite a young legislator, was at the head, made an elaborate report to the Parliament of 1845, in which they showed rather conclusively that these railway enterprises had by that time grown to such an extent that they had, for weal or woe, the power to make or unmake localities in England, and they passed thereupon what was known as the "railways clauses act," for the purpose of insuring fair dealing upon the part of the railways with individuals. That was as early as 1845, and you will find in the ninetieth section of that act a provision which is called "the equality clause," as follows:

*Provided, That all such tolls be at all times charged equally to all persons, and after the same rate, whether per ton per mile or otherwise, in respect of all passengers and of all goods or carriages of the same description, and conveyed or propelled by a like carriage or engine, passing only over the same portion of the line of railway, under the same circumstances; and no reduction or advance in any such tolls shall be made, either directly or indirectly, in favor of or against any particular company or person traveling upon or using the railway.*

You see, by the very form of the language, the idea still prevailed that instrumentalities other than the railway company which constructed the line might transport passengers and goods over the railway by using their own carriages and means of propulsion.

In 1854 an act which was known as the Lord Cardwell act was passed. That uses language a little more specific upon this question of undue preference.

#### Section 2 says:

Every railway company, canal company, and railway and canal company shall, according to their respective powers, afford all reasonable facilities for the receiving and forwarding and delivering of traffic upon and from the several railways and canals belonging to or worked by such companies respectively, and for the return of carriages, trucks, boats, and other vehicles; and no such company shall make or give any undue or unreasonable preference or advantage to or in favor of any particular person or company, or any particular description of traffic, in any respect whatsoever, nor shall any such company subject any particular person or company, or any particular description of traffic, to any undue or unreasonable prejudice or disadvantage, in any respect whatsoever; and every railway company and canal company, and railway and canal company, having or working railways or canals which form part of a continuous line of railway or canal, or railway and canal, communication, or which have the terminus station or wharf of the one near the terminus station or wharf of the other, shall afford all due and reasonable facilities for receiving and forwarding all the traffic arriving by one of such railways or canals by the other, without any unreasonable delay, and without any such preference or advantage or prejudice or disadvantage as aforesaid, and so that no obstruction may be offered to the public desirous of using such railways or canals, or railways and canals, as a continuous line of communication, and so that all reasonable accommodation may, by means of the railways and canals of the several companies, be at all times afforded to the public in that behalf.

This section, as interpreted by the courts, is one that, in the first place, prevents undue preferences, and, in the second place, compels interchange of traffic; so that a railway company, like, for instance, the Northwestern or Midland, or some great corporation having a dozen feeders to it, and independent ones, cannot, by slighting the one and affording facilities to the other, either absorb the one which they have thus slighted and ruined, or make traffic arrangements with any railway or canal company which it does not afford to every other railway or canal company. So that this clause, in the first place, puts the public in a position of equality towards the railway and all other transportation companies, and places them upon a condition of equality towards each other, so that no undue preference of any kind can be given. For instance, the New York Central Railway, taking an illustration in point, could not refuse the traffic that would come to it by any other line than the Lake Shore, or refuse to give any other line equal facilities to those it affords to the Lake Shore Company. However close the affiliation may be by stock-holding interests, the English law prevents any terms or facilities being given by one corporation to another that it does not hold out equally to all corporations. That was the condition of the law, and indeed is still the condition of the law, in England, with the exception that there has been interposed between the public and the railway what is known as the railway commission of 1873. The joint committee of 1872 of members of the House of Lords and House of Commons was probably the ablest railway committee that ever sat in England. It called in experts from all sides; it summoned before it English, French, German, and Belgian railway officials and administrators; it took testimony amounting to 1,600 or 1,800 pages; and the general conclusions at which they arrived are worthy of very serious consideration; and, with the permission of the committee, I shall be pleased to give them an extra copy, not of the testimony itself, which is an extremely bulky vol-



ume, but of the report, which was prepared by Mr. Farrar, now Sir Thomas Farrar, permanent secretary of the Board of Trade, and which is an extremely able and instructive document. In that document, adopted by the joint committee as expressive of their views, they came to the general conclusion that competition can no longer be relied upon for the service of the public in relation to railway traffic arrangements, and that under circumstances where competition is even a much more active element than it is with us, because all of you gentlemen understand that England is indented on all sides by bays and harbors of every description, and that the sea competition in England is infinitely more active than it is with us.

The CHAIRMAN. It strikes at almost every point.

Mr. STERNÉ. At almost every point. For instance, the London and Northeastern and the Great Northern Railway Companies are compelled to enter into competition with the colliers from Newcastle-upon-Tyne to London, and the London and Northwestern is compelled to enter into competition with the lines of schooners, sloops, ships, and every conceivable sort of steam-vessel which can run from Liverpool to Bristol, to Hull, and to London itself; so that at every point, independent of the enormous amount of canal traffic that still exists and prevails in England, the railway there is subjected to a competition of ocean traffic and channel traffic which we, with our enormous extent of territory, do not know of at all; and yet, notwithstanding that competition, after a most careful survey of the whole field, this joint English committee came to the conclusion that competition was no longer to be relied upon as a regulator in relation to railway enterprises. By a process of amalgamation which we call consolidation, the leading English lines had absorbed so many branch lines as practically to occupy fields almost analogous to the French fields. The London and Northwestern has a field of 1,600 miles of rail, and, notwithstanding it has as competitors, as to Liverpool traffic from and to the metropolis, the Midland, London and Northern, and even the London and Northeastern, yet as to a great part of its traffic it has a field all to itself, and that is more particularly true of other English lines of rail.

The English legislator has come to recognize the right to a field; and now when an attempt is made by any instrumentality to create a new line of rail, it must prove practically, as indeed it has in theory always been compelled to prove, but now more stringently than ever before, that there is a public necessity for the line, before they are permitted to exercise the right of eminent domain; and therefore England has followed somewhat in the wake of France and Germany in giving a field to its lines of rail. But it recognized also that the ordinary courts of justice were absolutely powerless to enforce the law of 1854, in consequence of the difficulties which were mentioned to you yesterday by the railway commissioners; that is to say, the individual grievance in money amount is so small that it does not pay to litigate, and the questions involved are so intricate and require such expert examination that the ordinary courts are incompetent to deal with them. Indeed, in 1854, when the Lord Cardwell act was under discussion, Lord Campbell, who had been chief justice of the common bench, said in Parliament that, with all his experience, he felt that he himself was incompetent to try a railway case which involved the question of railway charges, and he then urged the organization of a special tribunal for the purpose of examining and trying such questions. The joint committee of Parliament, therefore, of 1872, recommended the organization of a railway commission, which is a different tribunal, however, from that which we know

as railway commissioners, for it is a court, with all the powers of a court. The railway commissioners of England are like bankruptcy commissioners, and therefore to use the term "commissioners" is a little misleading to the American mind. They are judges, judges in railway cases. They have power to enforce their judgments, and they sit, as I have said, as a court. One of the commissioners, under the provisions of the act, is required to be a statesman. It would be rather difficult to make such a provision here.

The CHAIRMAN. Do you mean on account of the scarcity?

Mr. STERNE. Not that, but the rather wide application of the definition.

Senator PLATT. In this country everybody is a statesman.

Mr. STERNE. As Senator Platt suggests, the field is too wide, for here everybody is a statesman. Another commissioner is required to be an expert in reference to railway matters, and a third a lawyer. When the commission was originally organized it was appointed by the crown, and composed of Mr. Peel, who is the son of Sir Robert Peel, as the statesman, and who was then a member of Parliament and had been so for quite a number of years; Mr. Miller, a lawyer of very considerable merit; and Mr. Price, who had for many years been the chairman of the Midland Railway and was one of the most intelligent railway managers of England. That court has general jurisdiction over all railway matters in relation to interchange of traffic between railways and all contracts between railway corporations. No railway corporation can enter into contractual relations with other companies without submitting their contract to the railway commissioners and receiving their approval. Prior to that time the Board of Trade exercised a like function; but it was found that that board was not so constituted as to exercise that function intelligently, and in consequence of that but little heed was paid to the findings of the Board of Trade, and what the Board of Trade refused to sanction was frequently sanctioned by special concessions in Parliament subsequently, and the Board of Trade findings had not much weight with the Parliamentary committees. Thus it was deemed wiser to give to the commission this power. Then the commission was empowered to try all offenses against the existing law, particularly the law in relation to preferences, and they sit as a court in all these trials, with power peremptorily to enforce their decrees, and they issue execution upon their judgments precisely as a court of ordinary common-law jurisdiction. The only difference between that court and an ordinary court is that it does not sit with a jury, that the judges are judges of the fact as well as of the law, and that appeals are limited only to such cases where the commissioners themselves certify that there is reasonable ground for appeal.

#### A NATIONAL COMMISSION.

The CHAIRMAN. Would it interrupt you now to ask whether you think that a law of that kind would answer in this country?

Mr. STERNE. I think that no commission would be effectual for the whole United States without clothing it with judicial powers; perhaps it would be inexpedient to give its judicial functions so wide a scope as those with which the English commission is clothed, but, for reasons which I will mention to you presently, I do not believe that the ordinary form of commission, with power simply of investigation and report, is as effectual for the United States as it is in the various States; and in answer to your question I will give you the reasons for this opinion, to which the committee can give whatever weight it sees fit.

Senator PLATT. But if we clothe the commission with judicial power here, we must make them judges and give them a life tenure.

Senator HARRIS. Necessarily, under the Constitution.

Mr. STERNE. I do not think that that would be a great misfortune. On the contrary, I believe you would get better judges and a higher order of men.

The reason why investigation simply and alone, and recommendation to the legislative bodies based upon such investigation, is effectual in Massachusetts and in New York, and in the several States which have adopted this remedial form—and let me say parenthetically that I should probably be loath to recommend any larger powers for the present to State railway commissioners—is because in a narrow field you can concentrate public opinion in such a way as to compel obedience to the demands of an awakened and concentrated public opinion, for fear that something is going to happen by way of legislation which may be very mischievous to a particular corporation which defies the public will. When the railway commissioners in the State of New York say to the New York Central Railway, “You shall, for the public convenience, do this or not do that,” they have behind them a compact body called the State, with a concentrated power, and a legislature which is very willing to pass within the next session the necessary legislation for the purpose of compelling the railway to do, for the public interest, that which it has clearly neglected to do. The pressure of a concentrated field of public opinion which is felt here in the State of New York would, in a still more concentrated form, be felt in Rhode Island or any other smaller State; that is to say, the narrower the field the larger the pressure of public opinion. This pressure of public opinion when spread over the whole United States is an extremely attenuated thing, which does not, upon a particular railway corporation, produce any very great impression at all, because the special grievance does not affect the whole United States as a grievance of a like character probably does the whole State of New York. Do I make myself understood?

Senator HARRIS. Very clearly.

Mr. STERNE. For instance, in the State of New York, if the New York Central or the Erie Railway does something improper or leaves something undone which it ought to do, it affects either very distressingly the city of New York, with its great and preponderating power in the State, or the whole State of New York, and the consequence is that the whole State of New York has its eyes directed to that thing, and the legislature of the following year, or the year then next following, will have a concentrated public opinion brought to bear upon it to remedy that evil, in consequence of the continuation of that evil to which attention has been drawn by the report of the railroad commissioners; but where grievances are brought before the United States commissioners in relation to oppression exercised by the Central Pacific Railroad, and they recommend that something should be done by the Central Pacific road, the Central Pacific road snaps its finger at the recommendation. Of course the whole power of the State of California is brought to bear upon the United States Congress to remedy that particular evil which affects it, but that is all; that is a fiftieth part of the United States. The State of New York does not care a row of old pins about it, or it may possibly be benefited by the very evil of which California complains. The State of Massachusetts cares nothing about it; the State of Maine cares nothing about it; and how are you going to concentrate public opinion in favor of your United States commissioners' recommendations?

Senator PLATT. But that same condition of things exists in the State of New York to a less degree; that is, the interests of the cities of New York and Buffalo might be diverse.

Mr. STERNE. But to a very small degree. It exists, of course; but I mean it is not an attenuated public opinion in the way that the other would be. In other words, publicity and the force of public opinion are going to produce results if you can concentrate them in such a way as to threaten the recalcitrant corporation that if it does not pay heed to the concentrated public opinion, legislation of a punitive character will follow. But if you have no method of concentrating your public opinion, if the grievances are so individual and so small as compared with the railway system of the whole United States, and a still greater disparity exists as compared with all the other interests of all the people of the United States, you will find that what the railway commissioners may regard as a very grievous evil, requiring remedial measures on the part of Congress, Congress, with its many public measures before it in which the whole country is interested, will not find time to remedy the particular grievance that affects Dakota, or California, or the northern part of Maine, or some part of Georgia.

The CHAIRMAN. If public opinion would not regulate it, suppose you would give a commission power to investigate any grievance that any shipper or any person might have against a railroad company, and to determine what damage had been sustained—not finally, but as a sort of preliminary to turning the thing over to the courts?

Mr. STERNE. Under these circumstances, if your investigation has for sole effect to remit him to the courts, he has to go to two tribunals instead of one to get a remedy. Little comfort is this to a man with a great grievance or principle, but wishing but a trifling amount of damage in each case. As yet no one has suggested how this commission is to be put in motion. Nobody has suggested that there shall be a public prosecutor against the railways. On the contrary, in every individual case of grievance the merchant or farmer must go before the United States railway commission and lay his case before it as an individual litigant; and under those circumstances all that he would get is what Mr. Kernan suggested yesterday, and what he supposed would be an improvement on existing methods, and it would be the establishment of a *prima facie* case. He gets a finding from the national commission and then is remitted to the State court, with part of his proof made by law *prima facie* evidence in the case. Then he has to go through a trial, then an appeal to a higher court, and then an appeal to the court of last resort, for the purpose of righting a wrong of \$50, involving him in an expense of \$2,000.

#### COMMISSION SHOULD HAVE JUDICIAL POWERS.

The CHAIRMAN. What is your remedy?

Mr. STERNE. Give judicial functions to the United States commission.

Senator PLATT. Create a court?

Mr. STERNE. Create a court. The mere fact that a commission with power of examination and publicity has answered for Massachusetts and has answered well for New York is no reason in itself why it would be an adequate remedy when adopted by the General Government for the whole United States.

The CHAIRMAN. In your opinion?

Mr. STERNE. In my opinion. That is to say, I believe in a commission,

but I believe that a commission which has the mere power of investigating and reporting is inadequate for the purpose of redressing railway wrongs when you come to deal with the question as part of the function of the United States Government.

The CHAIRMAN. You think a commission would not answer that only had the power of investigating and reporting, but you believe if a commission is created it ought to have the powers of a court. Now suppose we pass such a law as you recommend—for instance, for the control of railroads, without any commission at all—what would be the result of that?

Mr. STERNE. That would be a bull against the moon. I speak advisedly upon that subject, because it is not merely my opinion, but you will find that in report after report of the English railway committees, from 1854 down to 1873, they say that the Cardwell act and the other acts are not self-enforcing.

The CHAIRMAN. My question implies, of course, that the ordinary courts are all open.

Mr. STERNE. The ordinary courts are all open theoretically, but they are closed practically to the individual man who has a grievance, and there are two reasons for that. The first, already mentioned, is the expense, and the second, which is a still stronger impediment, is the fact that the individual trader does not want to incur the enmity of an instrumentality which he is compelled to use from day to day.

I live, say, at Batavia. I am compelled to use the New York Central Railway Company for the purpose of my transportation. I have a grievance. They have done me, in a freight bill, out of \$2.50, or even \$25, if you please. I lay the matter before them and they do not choose to redress it. I can go to court, but two reasons restrain me: first, the expense, and in the next place, which is a still greater restraining power, I am compelled to deal with the road every day, and I must keep on good terms with its officers, as they have power to punish me in controlling the delivery of my freight. The local freight agent will be just to me in relation to freight charges, because the company are afraid of me in that respect; but they will deliver everybody's freight ahead of mine. And so in many ways I am subjected to annoyances which a hundred times over outweigh the redress I get. For small grievances the courts are practically closed.

Senator PLATT. Without indicating any opinion of my own, let me ask this question: In view of the varying conditions under which injustice may be done, do you think it is practicable or possible to frame any bill or pass any law which shall meet all the details of the business so as to afford a perfect remedy, even if the courts can furnish a remedy?

Mr. STERNE. I think not.

#### THE LONG AND SHORT HAUL.

Indeed, after you have passed a law similar to the Cardwell act of 1854, and created a court for its enforcement, and have provided what it is necessary to provide in this country, a prohibition against discriminations which will put the shorter distance at a disadvantage as compared with the longer distance—and in that particular I am inclined to agree with the opinion stated yesterday by Mr. Kernan, that the law should be limited to the requirement that a railway should not be permitted to charge more for a short than a long distance in the same direction.

Senator PLATT. From a particular point?

Mr. STERNE. From a particular point, with this limitation, that in any event it should not be permitted to charge more for the shorter distance than for the longer distance. And in this connection let me draw your attention to one of the provisions in the English law which has not yet found its way into any American law, the wisdom of the application of which it is well for you to consider in reference to railway charges in America. When the English legislature came to consider what were proper provisions in the special acts, they were always met, as I have been for the past fifteen or sixteen years in these railway controversies, by the expert railway man like Blanchard or Fink, with the statement of the question of short and long haul: "You do not understand the question. We are frequently compelled to charge more for the short than the long haul in consequence of the difference of terminal charges. That is to say, the economies of the terminals at a particular point, like New York or Chicago, are such that we can handle an individual item of freight at such terminal points at a rate very much less than we can at a way station; and though it looks as though we charged less for the longer than the shorter haul, yet that is not so in point of fact, but the difference is made up by the terminal charge." So that the English Parliamentary draughtsmen and members of Parliament said to the railways: "We concede that there is a difficulty which it is not within our province to solve, and we want you to solve it for us; and, to advise us and let us know what it is, you shall separate in your freight bill the terminal charge from the haul at the request of any man who presents you a bill." So that the freight bill goes with two charges on its face, one for the haul and the other for the terminal expenses, and you can determine whether the terminal charge is a fair one, for if it is not a fair one you can offer to do it yourself at the railway's rate, that is, to load and unload their cars for their rate. And that has been recognized, for instance, in the great case of *Pickford vs. The Great Western Railway Company*. Pickford & Co., the forwarders, offered to do the terminal service at lower rates than the railway company charged for it. Under the Cardwell act the railway company was compelled to allow that to be done. As you can separate the two elements, the terminal charge from the haul, you can thereby make the railway show what the terminal charge is.

The CHAIRMAN. Is it your opinion that that ought to be a provision in any law passed by Congress?

Mr. STERNE. I think it would be well for you to consider the expediency of such a provision. I do not think my mind is sufficiently made up upon the subject to say with definiteness that I would recommend that for American railways; but when you have railway experts before you like Fink and others who are men of honest intentions and honest purposes and great experience upon these subjects, it may be well to put before them the question, "What do you say to the expediency of what has been found useful in English railway administration—dividing the charge for the haul from the charge for the terminals?" and hear what they have to say.

Senator HARRIS. From your consideration of this question, Mr. Sterne, do you think there would be danger of injustice to the common carrier in providing by law that in no case should there be a greater charge for the shorter than the longer haul?

Mr. STERNE. I think not. There may be in individual instances injustice; that is to say, the railway official may be able to show that there are cases where that would work an injustice; but your answer is perfectly complete to a railway corporation if they make that complaint. It

is that a railway corporation has a public function to perform as well as a private function, and that it may reasonably be required, and is now often required, to carry, for instance, from station to station passengers at rates which are non-remunerative, simply because that part of the line is not built up with houses in consideration of having given over to it a very profitable portion, so that the injustice is wiped out by the advantages they derive from the franchise in other directions. For instance, the elevated roads in the city of New York run at five cents during certain hours. I am quite sure that from any station above the Park to any other station above the Park it costs them, under a close analysis, more to carry the passenger than they receive from that passenger during those hours. There are so few people who get on at those stations and so few who get off, and the district is not as yet developed and built up sufficiently, so that that part of the traffic is probably non-remunerative. But they have given over to them such an enormous traffic in the remunerative part of the city that the incidental injustice that is perpetrated on a railway company by requiring that from a particular station to another they shall not charge more than for a longer distance is much more than wiped out by the enormous advantages they derive from their whole franchise.

Senator GORMAN. Is that a parallel case? There they have a field, as you describe it, a monopoly of the business, whereas the general railroad system is the reverse, and the roads have not a field.

Mr. STERNE. I premised my observations generally with the statement that your right to regulate railways—I do not mean your right to regulate because that is absolute, and you can wipe them out of existence if you please, but the expediency of the regulation is largely determined by the necessity, and by the expediency likewise, of giving to them a field of operation.

#### FEATURES NECESSARY IN LEGISLATION.

Senator GORMAN. In the absence of a field, would it be wise to create a commission or court with the powers you have described?

Mr. STERNE. I think so in any event, because there are questions involved in this matter which are independent of the right to regulate freight or passenger charges. You have a right to say that these instrumentalities, under any possible condition—and such is the common law at all times, only it is not operative—shall treat all shippers alike, that they shall make no unjust and improper discriminations, and make them recognize that in their capacity of common carriers they are engaged in the performance of a public function, a public duty, which requires and implies that they shall treat all shippers of like goods upon a like basis, and, whatever their unit of charges may be, that they shall fix some unit—a train-load or a car-load; that upon the basis of that unit every shipper shall be treated alike, so that such monstrous wrongs as have been perpetrated by the Standard Oil Company shall become impossible. That you have a right to insist upon in any event. You have a right to insist, too, that a corporation shall not enter into contractual relations without submitting to the public what those relations are, so that the public shall have a right to see whether they are not creating a monopoly of such magnitude that it is dangerous to the community; and that there shall sit with Mr. Fink, when he is at the head of the pool commission, a public officer or a public functionary to see to it that in the practical realization of the desire on the part of the railways to earn dividends upon their stock they shall do no injustice to the public.

## EVILS OF THE PRESENT SYSTEM.

Here let me draw your attention to some of the evils which have been connected with railway administration in the past in this State. The chairman will stop me if he finds I am taking up too much time.

The CHAIRMAN. Go right along.

Mr. STERNE. Take this case: From 1876, until 1878, inclusive, a fierce railway war between trunk lines took place, which resulted in the trunk-line arrangements of 1879. During that period of time rates went down to nothing, as they say in railroad parlance, by which they mean that they went down below the point at which they could earn on through traffic interest on fixed charges and dividends on stock; that is, they could earn scarcely operating expenses; and yet during that period of time the New York Central Railroad Company continued to pay regular dividends. How did that occur? That took place from the fact that whilst they were operating their through traffic at an absolute loss, they had such complete control of their local traffic that they recouped their loss upon through traffic by the charges upon the local traffic, which were excessively exorbitant during the same period of time. There is an outrage and a wrong which ought not to be permitted by the State, which the State has the means of redressing, and which ought not to be permitted by the General Government; and therefore the long and short haul law must come in for the purpose of preventing a wrong of this character, so that if they carry on a railway war they shall do it at their own expense, and not at the expense of a people over which they have monopoly powers by charging them three rates for one and recoup themselves for the loss at which they do their through traffic by excessive charges on local traffic.

The CHAIRMAN. I do not think you have stated just exactly the kind of a statute you would favor on the question of the long and short haul.

Mr. STERNE. Allow me one word upon the subject of pooling.

Senator PLATT. Before you go to that, I want to suggest something for your thought. The railroad business in this country is still in its tentative state, in its formative period; that is, the principles which are to govern it and regulate it are unsettled. Is it possible that a few more years of competition and experience may practically settle these questions without interference by the Government? In other words, there has been this fierce railroad war that you speak of, the competition which, as to certain portions of the country, has put freights down below a remunerative point and has had the effect to raise them at other places to an oppressive point, and they have tried to avoid that by the pool; but the pool is an experiment as yet. Now, is it not possible that a few years longer may really resolve all these difficulties, that public sentiment may settle the question of extortionate freights for short distances, and that the interest of the railroad companies will make remunerative rates for long distances, so that practically we shall reach a point where the public will be mainly satisfied and the railroads be comparatively remunerative without regulation or control by the Government?

Mr. STERNE. I think not, and the reason I say I think not is because the universal experience of civilized mankind shows that that is not the way the railroad problem can be solved.

The CHAIRMAN. Judging from the operation of it in other countries?

Mr. STERNE. That is not the way it solves itself; and, in the second place, it is also a thing for you gentlemen to consider whether in any event, independent of mere freight rates, it is not the duty of the Gen-



eral Government to take a regulative control over an instrumentality that wields \$10,000,000,000 of capital, which has a tendency to such concentration that in all fairness it may be said that half a dozen men in the United States to-day control, directly and indirectly, two-thirds of that capitalization, and whether an *imperium in imperio* of that magnitude is not one which you are required, on grounds of sound public policy, to keep under control. So that even if the mere freight question were solving itself, which the experience of mankind is against, the Governmental question would never solve itself in that way. Whether the Government is to control the railways or the railways the Government, in a country where the Government is loosely organized and the railways have a tendency to concentrate power, is a question which still makes it a very burning one to the people of the United States, whether the railways should not be controlled by the General Government, by a constitutional amendment or otherwise, giving sufficient undoubted power to control that instrumentality.

Senator PLATT. A very pertinent question is asked now-a-days frequently, "Does protection protect?" Will not the same question be asked after we get this governmental regulation, "does regulation regulate?"

Mr. STERNE. I concede that the fight between the burglar and the safe-maker is one that is going on continuously. Sometimes the burglar gets the upper hand and sometimes the safe-maker, but it is a fight that must continue all the same. The safe-maker must not give it up, and I think on the whole he keeps the upper hand.

Senator HARRIS. Each invents something new to thwart the other?

Mr. STERNE. Precisely. So that in this fight between the Government and its instrumentalities sometimes the instrumentalities get the better of the Government, but on the whole I am confident that the Government will get the better of the instrumentalities. We have seen that illustrated in the various States where the concentrated powers of these great instrumentalities of commerce have been too great, that is, they have been too powerful for the State government. I do not say that in a hypercritical mood, but it is in human nature that it should be so. You get an institution like the Standard Oil Company, with its \$50,000,000 of capital, or an institution like the Burlington and Quincy Railroad, or the Northwestern Railroad, running through several States, and you concentrate that power at any State capital, the temptations are almost irresistible to bow to the powers that be, even if not corruptly, for the purpose of gaining its favor, on the part of an ambitious young legislator who is a lawyer and who desires to be appointed as counsel for the company in a particular district, and thus to make himself a member of like instruments of commerce and of influence. They have, like every other great agency, means of corruption that are not merely pecuniary. Then, the press is under their influence to a considerable extent; they are large advertisers; and it becomes a serious consideration in this country whether, independent of the question of freight charges and passenger traffic and individual rates, for the purpose of protecting the general weal it is not essential that these instrumentalities should be subordinated to the General Government.

#### EXTORTION AND UNJUST DISCRIMINATION.

You ask a certain series of questions, which I now propose to take up *seriatim* and answer in brief, a word to each. In reply to the question as to "the best method of preventing the practice of extortion and unjust

discrimination by corporations engaged in inter-State commerce," my answer is, a national law, punitive in its character, against unjust discriminations; the embodiment in that national law of a provision similar to that of the Cardwell act, because that has been subjected to a large number of judicial interpretations, and therefore the meaning of every word has been explained and settled, and the establishment of a special tribunal—call it a commission if you please—for the purpose of conforming to popular prejudice, but a special tribunal, having judicial functions, for the purpose of trying infringements of your national act.

The CHAIRMAN. Until we can, under the Constitution, get those judicial functions into the commission, you would want a commission with such powers as you can obtain?

Mr. STERNE. Certainly.

Senator PLATT. There is no difficulty in the Constitution if you create a court. The only difficulty is that the idea has prevailed that it was not really a good thing to appoint judges, who may be unworthy judges, with a life tenure; but admitting that there is no difficulty about that, there is no other difficulty that I know of.

Senator HARRIS. I do not see any difficulty in creating the court, except that it would have a life tenure.

Mr. STERNE. Senator Platt, let me suggest that Mr. Adams, whom you will probably hear before your committee, is very strenuous in favor of a commission without judicial powers, and he would rather have the commission without the law, as he has frequently said and written to me on the subject, than the law without the commission.

The CHAIRMAN. That was his view before he got to be a railroad man?

Mr. STERNE. Yes, sir; and even since. I do most earnestly request you to pay some little attention to what I have stated on the subject of the enormous difference between the ability of such a commission to concentrate public opinion effectually to bring about remedial legislation if the company refuses to act on its recommendations, which inherently exist in the United States commission compared with a State commission.

The CHAIRMAN. On account of the large extent of territory?

Mr. STERNE. On account of the large extent of territory, and the fact that the pinch is not universal over the whole extent of the territory, and the people who are to apply the remedy do not feel the pinch of the shoe.

Senator HARRIS. Only a small element of the community feels the injury?

Mr. STERNE. Yes, sir.

Senator HARRIS. Do you remember the date of the Cardwell act?

Mr. STERNE. Eighteen hundred and fifty-four.

#### REASONABLENESS OF RATES.

Upon the question, "The reasonableness of the rates now charged by such corporations for local and through traffic," if you mean by "reasonable" whether rates are low or high, my answer is that the reasonableness of a rate has but very little to do with the question of high or low rates. A reasonable rate is a rate which is fairly compensating for the work that is done. A rate may be unreasonably low and yet be injurious to a community, and more so than an unreasonably high one if the unreasonable high one is uniform and the unreasonably low one fluctuating and individual in character. So that that question almost answers itself. For instance, let me give you an illustration where high

rates in themselves may not be injurious to a community. The city of Santa Fé, in New Mexico, which I visited a year ago, is in a condition of decadence. Its business is being removed to Las Vegas and Albuquerque, and yet the rates of transportation since a rail line has been built to it recently are very much lower than the rates that the ox teams charged for going over the mountain into Santa Fé; but as the rates to Las Vegas and Albuquerque are still lower, Albuquerque and Las Vegas take the business, and Santa Fé, though it has lower rates now when compared with the rates paid for ox teams, is suffering decay. So the mere fact of your rate being high or low does not determine the welfare of a community. It is the question of relative rates, precisely as with the individual. In that respect freight rates are analogous to taxation. A community, if taxed equally, fairly, and intelligently, may stand a high degree of taxation with perfect ease, when low taxation, if without rule, individual, and discriminating, may be utterly ruinous and destructive to it.

#### PUBLICITY OF RATES AND CHANGES.

As to the question "Whether publicity of rates should be required by law, whether changes of rates without public notice should be prohibited, and the best method of securing uniformity and stability of rates," I would say, insistence upon publicity of rates should in any event form part of your legislation. I take no stock whatever, to use a common idiom, in the assertion that publicity of rates is going to work injuriously to our roads simply because they have a single competitor, or two or three competitors, if you please, in Canada. Publicity of rates is insisted upon in every country of the earth except this, and so is stability of rates; that is to say, a prohibition upon a change of rates unless it is published a certain number of days in advance. It is objected to here, but it is done in every other country where the railway system is at all developed, and there the competition is very much greater than in this country. Our trunk lines have a single competitor of which they speak constantly, and that is the Grand Trunk of Canada. They probably will have, in a couple of years, two or three competitors. As against that, take any line in Belgium, Holland, or Germany, with its competitors north and south. Take the lines in England, with their competitors, the French lines, and them, with their competitors of English, German, and Swiss lines, for the Italian and Eastern and India trade. And yet in every one of these countries, notwithstanding all this active competition, the railways are required to publish their rates, and to publish in advance whatever change of rates may take place. A few years ago a secret drop of a rate known in advance by the people connected with the Standard Oil Company was said to have inured to their advantage to the extent of millions of dollars. If I knew ten or even five days beforehand, where the markets are as active as they are in this country, that the railway rates from Bradford to New York, when the railroad companies carried oil, were going to be lowered suddenly from 40 to 20 cents a barrel, I sell oil "short" to the extent of hundreds of thousands of barrels upon the strength of that lowering of the rate, and before my neighbor awakens to the fact I have reaped my millions of dollars from the community by the unfair advantage that is thus given to me by the secret knowledge of a change of rates. Suppose, by a combination of the railways that carry cotton to the market of New York, they should suddenly come to the conclusion that they would alter their rates from whatever they may see fit to

charge now, from, say, 30 to 16 or to 10 cents a hundred to New York City for cotton, and that that should go uniformly into operation twenty days thereafter; that would give an opportunity to a number of people in New York to whom this knowledge is secretly imparted to make fortunes out of the cotton market to the disadvantage of every one else. It would be a temptation on the part of managers of the railways to go halves with the persons in this combination to make this change of rate so as to bring about that condition of affairs. It is inconceivable how commerce can be carried on without an insistence upon publicity of rates and previous public notice before a change of rates shall take place.

#### MAXIMUM AND MINIMUM RATES.

As to the next question, "The advisability of establishing a system of maximum and minimum rates for the transportation of inter-State commerce," what was stated yesterday by Mr. Kernan I entirely agree with. Maximum rates have been proved by the experience of the English people to be no protection to the community, because it is very rarely that a company charges even up to a Parliamentary maximum rate; and minimum rates are, again, of no value, as there is no special protection in saying that railways shall not, in charges, fall below a certain point. I have in hand a speech delivered in the House of Commons by Mr. James Morrison on the 17th of May, 1836. Mr. Morrison was the A. T. Stewart of England, and died leaving a fortune of four or five million pounds sterling. He was a member of Parliament, and he told his associates, as early as 1836, that their maximum rates would be of no value, that the economies of railway transportation from decade to decade, and the improvement of railway transportation and the development of railway traffic, would make their maximum rates ridiculously high, and would be an excuse for extortion in individual instances. Indeed, the clear understanding which he had of the railway problem as early as 1836 was absolutely marvelous. But no attention was paid to his recommendation; it was voted down. They recognize now, however, that Mr. Morrison was one of the few men who then foresaw the railway problems of the present as they are now developing.

The CHAIRMAN. So you do not think any legislation fixing the maximum or minimum rates would be of any use to this country?

Mr. STERNE. No, sir; of no value at all.

#### ELEMENTS OF A RATE TARIFF.

The next question is, "The elements of cost, the conditions of business, and the other factors that should be considered in fixing the tariffs on inter-State traffic." This question presupposes that it should be part of the law to fix a tariff for inter-State commerce. It is my opinion that no tariff can be made by the law which would hold for six months, and infractions of which would not be absolutely compelled by the exigencies of commerce. A different condition of things prevails in European countries. There the hard and fixed tariff, once fixed by legislation, is remitted to an executive board, of which the minister of the interior or the minister of commerce, as the case may be, is at the head, and these high executive officers have power to vary the tariff from twenty-four hours to twenty-four hours as they see fit. As we have no such instrumentality of government, it is my conviction that the fixing of an absolute, hard, and fast tariff would be a mistake.

## REBATES AND DRAWBACKS.

As to the question "Should any system of rebates and drawbacks be allowed? If so, should such transactions be regulated by law and be subject to official inspection or approval? Or should they be entirely prohibited?" my answer is that every system of rebate and drawback should be prohibited if it works a discrimination. There is an entirely legitimate rebate or drawback. For instance, if an unjust freight charge has been made by a corporation, and the attention of the corporation is drawn to it, they ought to be permitted to pay a drawback or rebate, whichever you call it, so as to correct their own error, and therefore there are legitimate rebates and drawbacks, and there are illegitimate ones.

Senator HARRIS. Would that be technically a rebate or drawback?

Mr. STERNE. That is precisely what it is. I mean the origin of the terms "rebate" and "drawback." They are terms which in railway parlance and economy have an entirely legitimate and proper function, but they have been used as instrumentalities for individual preferences and local discriminations.

The CHAIRMAN. As a secret means of making special rates to certain parties?

Mr. STERNE. Yes, sir.

Senator HARRIS. That is, discriminating between customers.

Senator PLATT. When the terms are used in reference to Government taxes they are instrumentalities of doing justice?

Mr. STERNE. They were originally used with reference to railway administration in the same way, so that in framing your law it would be a mistake to say that a rebate or drawback shall not be allowed, because that would be substantially saying that a railway corporation shall not be permitted to rectify its own wrong, but that they shall not use the rebate or drawback as an instrumentality of making a discrimination.

## POOLING ARRANGEMENTS.

The next question is:

Should pooling contracts and agreements between railroads doing an inter-State business be permitted, or should they be entirely prohibited by law? If they should be regulated by law, would it be sufficient to require the terms of such agreements to be made public and subject to official approval?

This is really one of the largest and most complex questions which you are called upon here to consider. You may probably know how my more or less public connection with this railway question arose. During the frightfully unjust discriminations against the commerce of New York City in 1876, 1877, and 1878, a request came to me from the Chamber of Commerce and from the Board of Trade and Transportation to draught legislation for the purpose of securing a remedy against these unjust discriminations, and to seek to obtain for this State a board of railway commissioners. Prior to that time I had given, both in Europe and in this country, considerable attention to the railway question, and had been consulted in railway matters frequently, and it resulted, from year to year, in my knocking at the legislative doors for the appointment of a railway commission in this State, and the passage of a law against discriminations, all of which failed of success until 1879, when we procured the appointment of the Hepburn assembly committee to inquire into railway abuses. Before that Hepburn committee, at the request of the Board of Trade and Transportation and the Chamber of Com-

merce, and, indeed, for the combined commercial interests of New York, I conducted the whole investigation, so that every answer which was given by the railway officials was elicited by a question put by me. At that time I was impressed with the great favorable change that had just taken place as to discriminations, while the committee were sitting, as to the treatment of the State and the city of New York by the pool which came into existence in 1879. I mean the trunk-line pool.

Senator PLATT. Is the agreement by which that pool is created public? Is it printed?

Mr. STERNE. Yes, sir. I can let you have a copy of it. I will send it to you from my office. Indeed, you will find it in the books you have here. If you will examine them you will find there is a most elaborate index at the end of each of the first four volumes of the Hepburn report of testimony.

The CHAIRMAN. We have the volumes.

Mr. STERNE. If you will look under the head of "railway pools" or "pools," you will find the trunk-line pool contract.

The CHAIRMAN. The original pool contract?

Mr. STERNE. The original pool contract. It was claimed that the pool created stability of rates. A condition of affairs prevailed theretofore under which a merchant in the city of New York, for instance, would find it to his profit to send a train-load of salt or cheese to Boston, to transship it in Boston to the West, and yet have a lower rate, adding the local rate from New York to Boston, than he had from New York westward direct. A condition of affairs existed that worked a constant discrimination against the city of New York of 2, 3, or 5 cents a hundred in relation to its transportation westward, for the purpose of equalizing supposed differences of freight rates between Liverpool and New York as compared with Liverpool and Philadelphia, Baltimore, or Boston. It was supposed that the rates from Liverpool to New York were so much less than they were to our sister seaboard cities that, for the purpose of putting them upon an even keel, it was necessary to make the discrimination against New York on the railroad freight charge, so as to equalize Boston, Philadelphia, and Baltimore with New York. When I went to England in 1877 I made that a subject of special investigation, and I brought with me the certificates of leading ship-brokers of Liverpool and London showing that there was no such difference at all, and that the discrimination against New York was made by the trunk lines upon an entire misconception or mistake, whichever it was; and it was not until the Hepburn investigation developed that to Messrs. Vanderbilt and Jewett that a change was made in that particular.

So that, after the railway pool was for a short time in operation, such a marked change took place, New York City was comparatively treated so much more fairly than theretofore with the treatment she had received prior to that time, and even New York State was no longer suffering to the same degree from the unjust discrimination practiced against her interests, particularly the milling interest, by her own railways, by recouping the losses on through traffic by excessive charges on local traffic, that we all felt that a pool was a good thing, and I think I so expressed myself in the final speech I delivered in summing up the testimony before the Hepburn committee, that a pool, on the whole, was a good thing and ought to be in some way recognized by law. I have modified my opinion somewhat. I think that a combination of railways may be beneficial, but that it should not be allowed except under some public supervision that may involve the necessity of legalizing these

combinations. On the other hand, it involves necessarily the subject of regulating. I heard one of the Senators—I have forgotten which one—yesterday use the illustration of the West Shore line and the New York Central.

The CHAIRMAN. It was Mr. Platt.

Mr. STERNE. What we see now transpiring is phenomenal in railway administration. We are seeing, right before us, the New York Central throttling the West Shore enterprise to an extent which has never before prevailed in railroad practice in the United States, so that the West Shore is not permitted by the New York Central to earn operating expenses, and is every month running behindhand. The difference now as compared with the conditions prevailing in 1877-'79 is that the New York Central is compelled to do this fighting at its own expense, and no longer at the expense of the people of the State. The existence of the railway commission and an enlightened public sentiment upon that subject, independent of any legislation, has made it impossible for the New York Central Railway now to make the exorbitant charges upon New York State, and therefore the New York Central has been compelled to diminish, and may have to forego, its own dividends. It has to make the fight on its own account, and therefore there is a limit to that war, which there would not be if the war could be carried on at the expense of the people of the State.

Whether under these circumstances it is wise, by an entire prohibition of pooling, to let a war go on to the extent that a railway enterprise can absolutely prevent another railway enterprise from operating its road, is a question which I think to be a very serious one for you to consider, because if a railway company can carry on a war to that extent, and actually drive its competitor out of existence, it may be profitable for it to forego dividends for a time until it compels its rival to sell its rails for old iron and sell its rolling stock.

Senator HARRIS. Suppose you do not prohibit pooling, but suppose these competing railroads do not choose to pool, is there any means of preventing just such a war as now exists?

Mr. STERNE. There would be if you had an established legislative minimum rate, of course. If you say that a railway shall not charge less than it shall cost to do the service, that would prevent it, because the West Shore could stand it for a long time without paying any interest on capital if it could earn operating expenses. Of course, if you do not permit a road to earn operating expenses, and receiver's certificates are issued, financiers in time will not take such receiver's certificates any longer, because they will say, "This is a losing concern, and the more we put in the more we shall lose."

Senator HARRIS. There is no method other than fixing a minimum rate?

Mr. STERNE. No, sir.

Senator MILLER. The war between the Central and West Shore road is of course, an anomaly. Your principle of giving a field to a railroad, if you regulate its charges, has not been adhered to. In other words, where two great railroads have been put into locally the same field, there not being business enough for both, it has led, of course, to the war which is now going on.

Mr. STERNE. Undoubtedly, and this results in a great waste of capital. No one railway is taxed by its traffic in this country, and indeed scarcely anywhere in the world, to its maximum capacity. I remember a statement made to me by a French railway official in which he said that his railway was employed, as he thought, to the extent of about 9

per cent. of its capacity; so that there was a margin of 900 per cent. of possibility of road usage if you had the rolling stock for additional traffic. In other words, nine times the amount of additional traffic could have been provided for with their rail capacity. Of course that would involve providing additional storage capacity, but their rail capacity was sufficient for many times the traffic they had. You may imagine a country growing up enormously around such a railroad, provided you regulate the charges, without requiring a new railway to accommodate the business; and therefore every new railway that is built is not an additional investment for the public, because the money that goes into it is an unnecessary expenditure of capital, and it goes in merely as a competitor for traffic which the existing instrumentality is more than capable of accommodating.

**THE CHAIRMAN.** In relation to the war which you have been talking about between the West Shore and Central, let me ask whether the West Shore Company is in the pool at all?

**MR. STERNE.** Certainly it is. It was recognized immediately after completion of the road, to the extent of 12½ per cent., if I recollect rightly, of the traffic.

**Senator MILLER.** That is, the through traffic?

**MR. STERNE.** The through traffic. It was and is in the pool, and the pool went to pieces partly because it is in the pool; that is to say, it was done at the expense of the New York Central to the largest extent. I am not certain as to the percentage, but I think 9 of the 12½ per cent. went out of the New York Central's share. That created dissatisfaction. The consequence was, when I presented, a short time ago, before the legislature of New York, on behalf of the combined merchants of the city of New York, a bill to prevent the shipment of freight by other instrumentalities of transportation than those selected by the shipper, that is to say, to prevent by law the taking of freight from one line and diverting it to another—a mischief which is due wholly to the pooling arrangement—the New York Central officials preferred to enter into a contract with us rather than have the law imposed, and did enter into a contract not to allow this diversion of traffic to proceed thenceforth.

**Senator HARRIS.** Disregarded the pooling contract?

**MR. STERNE.** Yes, sir; and they did it because they determined to crush the West Shore, and if they had remained true to the pool they could not crush the West Shore. I never imagined that they did that for the love of me or love of the merchants, but it suited their book at that time to do it as part of their warfare against the West Shore, and the pool has gone to pieces, as you know; that is to say, there is substantially no west-bound pool. There is an east-bound pool, but the west-bound pool is gone. Pooling contracts must be placed under legal regulation and control, for there is a tendency towards consolidation and amalgamation of railways all the world over. In England that has proceeded to such an extent that eight lines have absorbed the smaller lines of the kingdom, and if you look at an English railway map you will find, in the different colors in which the lines are painted, that the vast network of railways in England is substantially under the control of eight companies. That has proceeded in England notwithstanding a constant endeavor against it on the part of Parliament, and notwithstanding the fact that the law of Parliamentary procedure on railway questions is entirely different from our own; that is to say, no line gets any power to lease another line, or power to enter into consolidation with it by the purchase of stock, without having a special Parliamentary sanction.



The CHAIRMAN. Still, they get the sanction?

Mr. STERNE. Not always. They get the sanction, but they have got to go before a Parliamentary committee, where the question is tried in the face of day; notice is given to other railroad corporations in the same field and district, the various corporations are represented by counsel, and there is a fight on the question. So that even there, with the fight against it, you find there is a constant tendency to consolidation and concentration. This tendency is going to continue in this country, and will continue here just as it has proceeded in England, and under these circumstances there will be a practical pooling even if you pass a law against ostensible pooling; that is to say, there will be an amalgamation and consolidation of lines even though you pass a law against it; and therefore it is the part of wise legislation to recognize the tendency of the times, to see the situation, and, instead of putting your head squarely against it, to regulate it with intelligence. So it seems to me that railway arrangements with each other, either for the purpose of using each other's lines, consolidating them, or of pooling, should be recognized, if some public board like the railway commission should sanction the arrangement, and the arrangement be published and notice given of it in advance.

#### SELECTION OF LINES BY SHIPPERS.

Of course my answer is in the affirmative to the eighth question: "Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?"

The CHAIRMAN. Do you think it ought to be guaranteed to them by statute?

Mr. STERNE. By the statute; that is to say, if the railroad companies make pools, it ought to be enforceable by some other arrangement than taking first-class freight from one line to another and sending it by instrumentalities which are less advantageously placed for quick shipments.

#### A NATIONAL LAW OF REGULATION.

As to the next question, "By what method can a uniform system of rates for the transportation of passengers and freights by all the corporations engaged in inter-State commerce be best secured?" my answer is, by a law uniform in its character, and the organization of a tribunal, judicial in its character, to enforce that law; and by a law I mean a national law.

#### THE LONG AND SHORT HAUL.

As to the tenth question "Should corporations engaged in inter-State commerce be permitted to charge a lower proportionate rate for a long than for a short haul? Does the public interest require any legislation on that subject?" my impression upon that is that a corporation should never be permitted to charge less for a long haul than for a short haul, that is, for the haul simply, but that if a bill should contain a requirement that the terminal charges shall be distinguished from the haul, there is never any excuse for charging less for a long than a short haul. In other words, the difficulty on the one side or injustice on the other arises on the question of terminal charges.

The CHAIRMAN. At the two ends of the haul?

Mr. STERNE. Yes, sir; because it can never cost them less by any possibility for hauling a train of cars or a single car a longer distance on a road than a shorter distance. That, of course, it would be nonsensical for any railway official to claim or to insist upon, and hence the English people have compelled them to separate the two charges.

#### SELECTION OF LINES BY SHIPPERS.

Senator PLATT. To go back to question 8, is a pool practicable if the shipper can select the road over which he sends his goods?

Mr. STERNE. I think so. One of the reasons why the money pool is not practicable is that you do not recognize it by law, so that you have got to have the physical enforcement of taking each other by the throat, which is substantially what they are doing; that is, they take out the packages of goods from the yards of the Erie or the depots of the Central and transfer them to the West Shore.

The CHAIRMAN. On their own order, without any reference to the shipper?

Mr. STERNE. On the order of Fink. Fink takes the returns. He says to Rutter, "You haul  $1\frac{1}{2}$  per cent. more freight than you are entitled to, and we will transfer from the New York Central  $1\frac{1}{2}$  per cent. and send that to the West Shore." Of course that proceeding takes place upon the goods that are most easily handled and bear the highest rate, so that the burden always falls upon the first-class goods, wherein celerity of transportation is of the highest importance.

#### POOLING ARRANGEMENTS.

Senator PLATT. If the pool were legalized, and subject to the power of the courts to enforce the contract by other means than the transfer of tonnage, do you think it would work well?

Mr. STERNE. I think it would in that particular. Of course you always have to confront the very important question that lies behind it all, that through the instrumentality of a pool you invite such an enormous combination of capital that from political reasons it may be dangerous to legalize it.

Senator PLATT. You invite that if you recognize the doctrine of "the survival of the fittest;" that is to say, when the strongest railway has eaten up the smaller ones it will become such an immense power as to be as much feared as the other.

Mr. STERNE. That may be true; but when you invite the combination of railways of the country under one common head, and make that head Mr. Fink, or any individual, with \$10,000,000,000 of capital behind him and seventy or eighty thousand employes, he is a greater power than the President of the United States by far.

Senator HARRIS. Mr. Kernan told us yesterday, if my memory serves me aright, that a cash pool was impracticable, for the reason that, if resorted to, the road receiving the cash because it was deprived of the business, would, at the end of the pool, be found, notwithstanding its compensation during the pooling period, to be entirely without business.

Mr. STERNE. There is an element of reason in that. It might work in that way. If you once recognize the legality of the pool, you can specifically enforce your contract just as well as you can recover damages.

Senator HARRIS. Of course you can recover the money, but you cannot recover the business.

Mr. STERNE. You can recover the business. You can specifically enforce your contract. Pooling arrangements would be hereafter that the business should be divided in certain proportions and that they would put their money together, and if the business does not come in those proportions it should be equalized with money. Hitherto there was no method of enforcing such a contract, and hence Mr. Kernan very properly thought that it was not practicable because it was not found practicable heretofore. My opinion is that if it were legalized it would be practicable, because the method of freight pooling, of actually carrying the freight from one depot to another, is so expensive and brutal a method that it arises only from the fact of non-recognition by the law of their contracts.

Senator PLATT. A road always has its local business?

Mr. STERNE. Precisely.

Senator PLATT. Now, if it was compensated for the loss of through traffic, and that compensation was added to its local business, there could not be any great detriment to the road?

Mr. STERNE. I think not.

#### CONCESSIONS TO LARGE SHIPPERS.

As to the eleventh question, "Should any concessions in rates be allowed to large shippers, except such as represent the actual difference in the expense of handling large shipments over small shipments, and should such concessions be made known to the public," my answer is, there should be embodied in any law which you may see fit to recommend a unit of shipment, and that should be the wholesale rate, and beyond that nothing be permitted—

The CHAIRMAN. A car-load?

Mr. STERNE. A car-load or train-load if you please. You may make two units, the car-load and the train-load, but beyond that it can make no possible difference whether a dozen persons or one person make up a train, except on the question of terminals. The cost for the haul should be absolutely uniform, and for the terminals only the difference that the handling requires. I can readily understand if, for instance, Mr. Babbitt loads a car of soap in the city of New York with boxes of uniform size, that there is a slight advantage in that, as compared with having that car hold a score of different-sized articles, and that there is an advantage in the handling of the car-load of uniform-sized soap-boxes at the two terminals. When you have overcome that one element, you have overcome all right to discriminate, because after that load is in the car, and it is out of the depot, there cannot be any difference between Mr. Babbitt's shipment and a load of the most heterogeneous material until the time for unloading comes.

Senator PLATT. Does it cost more on one road than another?

Mr. STERNE. It does cost more on one road than on another, but it does not cost more than any other car-load on the same road. The question which I am now answering is with reference to discriminations made upon a single line of rail as between different shipments. I say these discriminations have been exercised in times past to an extent that has been absolutely ruinous to individuals. For instance, in the Hepburn railway investigation it was shown that the New York Central gave to Mr. Crouse a rate of 10 cents a hundred from New York to Syracuse, when they charged from 16 to 30 cents to other shippers. Such

discriminations as those are destructive to individual interests and make the railway corporation the arbiter as to whether one man against another shall succeed in a business enterprise, and another be driven into bankruptcy, whatever his merits or demerits as a merchant may be.

The CHAIRMAN. That condition of affairs has ceased, as I understand, as the result of the action of the railroad commission and public sentiment in this State?

Mr. STERNE. In consequence of public sentiment mainly, and also by reason of the passage of several acts in this State which were directed against some of these evils; but I may say that the bettered condition is almost wholly due to the growth of a public sentiment which was awakened in 1879, and the existence of the railroad commission as a constant and ever watchful tribunal against such outrages. For instance, this discrimination existed in 1876, 1877, and 1878, during the railway war, when it was found that, with one exception, every miller at Black Rock and at Niagara had to close his mill; that exception was the mill of Schoellkopf & Mathews, which continued its operations; and it was claimed by the New York Central officers, when inquiry was made by the unfortunate millers who could not get the products of their mills to New York as cheaply as the Minneapolis millers why that one mill was enabled to continue, the answer was, "Schoellkopf & Mathews have put in the newest machinery, they have the best-stocked mill in the State, and of course under these circumstances they can undersell other millers in the markets of New York." I extracted, however, at Buffalo, before the committee of the assembly, from Mr. Schoellkopf, his contract with the New York Central Railway, in which it appeared that he had made an agreement in 1877 with the New York Central Railroad, and which was to continue only on condition of its being kept secret, by which he was to have the rate for his flour prorated with the rate from Minneapolis. Every other miller at Black Rock and at Niagara was compelled to pay the local rate, and the same was true of the Rochester millers. The flour-mills of New York were just as effectually destroyed for business purposes by the railroad war as though a torch had been applied to them. The injustice of such discriminations was made so manifest at that time that they could not be continued; they could not bear the light of day; and the existence of a railway commission prevents their continuation.

#### UNIFORMITY OF ACCOUNTS.

The next question is, "Should corporations engaged in inter-State commerce be required to adopt a uniform system of accounts?" Upon that point my answer is emphatically in the affirmative. The Government owes this small element of protection against fraud to the investing public. The system of railway accounts has been a mystery even to railway accountants; that is to say, a Pennsylvania railway accountant was, until recently, absolutely in the dark as to how the New York Central kept its accounts. The Reading's accountant could not tell how the Jersey Central kept its books. The books of each railway company were a sealed mystery to all save the head of its bookkeeping department. Each particular road had its own system of accounts. Indeed, it was testified before a railway committee that some \$700,000 expended during one particular year by the Erie Railway as a corruption fund and for legal expenses was carried to the India-rubber account, and thus found its way into the construction account. So that part of the construction account of some of these railways is what they expend annu-

ally upon legislative committees, or in influencing or preventing legislation, and in the law courts. The New York Central Railway Company in 1869 doubled its stock, watered its stock by 50 per cent., on the amalgamation or consolidation of the New York Central and Hudson River roads, issuing \$2 for one of the entire stock of these several companies. They had, therefore, after this consolidation, a stock account which was out of all harmony with their construction account, and, for ten years following, every year varying from 3 to 8 per cent. of this water was artificially carried into the construction account, so that eventually the construction account and the capital account balanced; and there is therefore a construction account wholly fictitious as to a trifle of \$40,000,000 or thereabouts in the New York Central books. As a system of book-keeping it had to balance, and therefore the balance was forced by carrying some years 3, some 5, and some 8 per cent. of this water into the construction account, as though so much construction had been carried on that year, and eventually the two accounts balanced. In the same way the balances were forced in the Erie Railway Company when Mr. Gould took \$40,000,000 of the stock of the Erie Railway Company out of its books, sold it on the street, and appropriated the money to his own use, and there was not a dollar's worth of construction to represent it, and when a reorganization took place the balance of the Erie Railway Company was forced to meet that violence done to the stock account. So that in some of these railway corporations their system of keeping accounts is a mystery to everybody outside of the corporation.

The CHAIRMAN. Do you understand that the accounts of railroads are kept alike in this State now?

Mr. STERNE. Yes, sir; they are now required, in a specific way, to be kept alike, though of course very great frauds may be practiced under existing conditions; that is to say, no man can find out whether a particular account is true as presented by them; but a uniform system of accounts is, notwithstanding the constant assertion by railway accountants to be in their opinion impracticable, found quite practicable in England and in Massachusetts and here, and it has been enforced upon them. In the case of the New Jersey Central Railway, which failed about 1874 or 1875, or thereabouts, the president of the company honestly supposed, from its own accounts, that the company was entirely solvent until the very eve of its failure; and Mr. John Taylor Johnston's fortune was swallowed up at that time in consequence of the ignorance he himself, its president, was kept in by the method of bookkeeping that was adopted. The same thing is true of the Eastern Railway, which caused the change in the Massachusetts law—the railway which runs from Boston to Portland. There was nothing in their accounts which showed the rotten condition of the concern.

The CHAIRMAN. That was probably due to design and corruption.

Mr. STERNE. It was partly due, also, to an artificial method of keeping accounts. For instance, in the examination of Mr. Little, the very capable auditor of the Erie Railroad, before the Hepburn railway investigation, he stated that he had charged as part of the funded debt of the corporation a floating debt of about \$5,000,000. Of course you may say that that was one of the ways of disguising the floating debt so that people should not see how large the floating debt was. He was under the impression that a floating debt was a debt that was out in the shape of notes in the hands of the community, and that everything else was a part of the fixed indebtedness, and he therefore returned as part of the fixed indebtedness what was really floating debt, and the

community was under a false impression as to the amount of the floating debt. So that the public is constantly, by the absence of any proper system of accounts, kept in the dark as to the real condition of railway affairs.

#### ANNUAL REPORTS AND THEIR CONTENTS.

The next question is, "Is it desirable that such corporations should be required to make annual reports to the Government? If so, what information as to their earnings, expenses, and operations should such reports contain?" Unquestionably they should be required to make annual reports, with balance sheets, otherwise reports are of no use. And in that connection let me say that in making these annual reports they should be required to pay the expenses of such a tribunal, court, or commission as the Government may see fit to institute. There is no reason in the world why an instrumentality that wields \$10,000,000,000 of capital, that earns on the whole, even in bad times, an average of  $3\frac{1}{2}$  per cent. on that whole capital, as Mr. Poor shows in his *Railway Manual* for 1884, which is fully 7 per cent. on actual outlay, because it is fair to assume that one-half of that capital is fictitious or has been increased by railway methods which we all understand and know about, so that the earnings as a whole show, on the whole, a very fair interest, even in bad times, on a capital invested—on the whole, American railways may be said to pay a fair return upon their capital, and therefore it is not an imposition upon them to make them pay the cost of a tribunal which their peculiar conditions call into being, and when they render their accounts, showing the number of miles of rail that they have and what their capital is, a few mills per thousand will pay the expenses of that tribunal.

The CHAIRMAN. How would that be arranged?

Mr. STERNE. It is perfectly simple. They make up their own estimate of capital account and send a trifling percentage of the amount in, and the assessment upon them, as I say, would be but a few mills per thousand dollars.

#### WATER-ROUTES.

As to the next question, "In making provision for securing cheap transportation, is it or is it not important that the Government should develop and maintain a system of water-routes?" my answer is that it unquestionably is important that the Government should maintain a system of water-routes. The rate of charges on the Erie Canal largely determines the railway rate all the year round throughout the United States. The rate from New York to Chicago is substantially the pattern rate for charges throughout the country, and that rate from New York to Chicago is largely fixed by competition with the canal; and under these circumstances the only one other element of competition we have is that of our internal water-routes, which to care for and develop I claim to be one of the first functions of the Government. I think the power of the Government for promoting commerce has been abused and applied improperly by river and harbor bills, which expended public moneys in dredging trout streams and involved an expenditure of millions of dollars upon bayous which never can be made navigable. If all those millions had been properly directed in extending our water communications we would have at the present time much less of a railway problem upon our hands. Even the French Government has now under consideration a large development of the canalization of the French domain, and at an expenditure of a thousand millions of francs.

The CHAIRMAN. England also has taken some steps in that direction?

Mr. STERNE. Yes; England has taken some steps for the purpose of improving her canals. The water-ways, which were supposed to be entirely superseded by the railway, are, if not formidable competitors to the railway, in any event regulators of its rates of transportation, and in that sense important to the community.

#### NATIONAL COMMISSION WITH JUDICIAL POWERS.

Your next question is :

In what manner can legislation for the regulation of inter-State commerce be best enforced? Should a commission or other special tribunal be established to carry out the provisions of any law Congress may enact?

My answer to that question has been most fully made by what I have already said. I believe there should be a national law upon this subject of regulating inter-State commerce, the heads of which I have substantially submitted, and coupled with that law there should be a national commission, with judicial powers, for the purpose of giving that law its proper enforcement.

The CHAIRMAN. Have you ever thought about the question of connecting in any way the work of a national commission with that of the different State commissions of the country? I suppose you think the State commissions ought to be retained?

Mr. STERNE. The State commissions have just as important functions as the national commission. I do not believe that the instant a national commission comes into existence the State law upon the subject, or the State function, is, therefore, *ipso facto* suspended. No such operation takes place with reference to this question of commerce that takes place when the Congress of the United States takes up the subject of bankruptcy, and thereby suspends at once all insolvency laws of the various States. There is no analogy between the two cases. There is an enormous field for the State and a great field for the work of a national commission.

The CHAIRMAN. I take it for granted you think that, but the point with me is whether there could be any sort of working connection between the national boards and the State boards.

Mr. STERNE. There should be, and I recommended some time ago annual conferences between the various State boards, and like conferences should be held by State boards with the national board after it has been created; but that will be entirely a matter of comity—I do not see how, otherwise than as a mere matter of comity—for the interchange of opinions and experiences and results of the various workings of the laws as they operate in the various States and in the United States. These meetings could not, however, be made mandatory by a national law.

Senator HARRIS. Voluntary co-operation would seem to me the only way.

The CHAIRMAN. I did not know but that Mr. Sterne had given some consideration to that subject.

Mr. STERNE. I have thought of it, but I do not know of any other way except by voluntary co-operation.

Senator PLATT. There are some interesting points which these questions do not touch, and one is whether railroad companies ought to be allowed to make contracts with subordinate companies for express business and fast freight business, and such business to be done over their

roads, or whether they ought to transact all that business themselves. Have you thought of that?

Mr. STERNE. I have thought of that, and the answer depends very much upon the nature of that business and where it is to be done. Right here you touch upon a difficulty which is somewhat technical in character. The conditions are not the same throughout the United States. A law that would operate entirely fairly in the State of New York would operate with very great injustice and oppression in the Western States. For instance, an express company can afford to do the very high priced and risky part of the transportation business easier than a railway company and better than a railway company, for this kind of business, when you get to a sparsely settled district, as compared with a dense population—I do not know whether I make myself understood, but you have there the same problems substantially that you have in another form in the carriage of mails at a uniform rate. The express business done by a Colorado road would be very expensive as compared with the express business done by Wells, Fargo & Co. from New York to a point in Colorado. They equalize to some degree, not wholly, as the mail charges do, the advantages they derive from the dense districts as compared with the disadvantages they are under in the mountainous and sparsely populated districts.

Senator PLATT. To a superficial observer it would seem as if the Pullman and drawing-room car companies and the fast freight companies were making money, whether the railroads were successful or not.

Mr. STERNE. That is very largely true, and hence the necessity for the organization of tribunals, both State and national, for the purpose of acting upon the contracts made between these various corporations, to see whether they are fair and that the stockholding interest is protected.

#### PROTECTION OF STOCKHOLDERS.

I take it Congress will meet with considerable difficulty in any attempt to protect the stockholding interest. As a rule, railway corporations have been chartered by the States and not by the General Government. Therefore, as to their relations to the stockholder and to the investor, they will claim entire immunity from Congressional legislation in that respect; and any law you may recommend the passage of, and that may finally get upon the statute-book, which will attempt the regulation of the financial relations of the corporation to its stockholders, or the director to its stockholders, will meet with determined opposition on the part of the railroad corporations as unconstitutional, on the ground that that is not the regulation of commerce, for in that respect they do not perform any public function, but that is a private relation between the stockholder and the corporation, and if the directors see fit to cheat and swindle the stockholders it is none of the business of Congress, for they are responsible to the particular States which gave them their charters and created their organization. Otherwise I should suggest that but for that difficulty of power it would be your duty to recommend some form of protection to stockholders analogous to that which exists in England, where the stockholding interest is better protected than in the United States. Under the English law, as the stockholding interest of the individual shareholder increases his relative voting power decreases. A man has one vote for every share up to ten; then he has one vote for every five shares up to one hundred, and then one for every ten beyond that; so that his progressive power does not in-



crease arithmetically with his increase of stockholding interest. The small shareholder is protected by the English legislation throughout, so that he is not overslaughed by the large stockholding interest. Then they have a much more direct responsibility of the directors to the corporation. They are required to advertise semi-annual meetings, to have them at certain public places, and they are required to do many things in the way of reports which we have neglected to provide for. Perhaps the most potent and beneficial result that could be accomplished in the way of improvement of legislative methods as between the directors and the stockholding interest is the introduction of some system of minority representation in boards of direction, so that the board of directors would be a reduced photograph of the whole stockholding interest. But I fear I am occupying too much of your time.

The CHAIRMAN. No; we will hear you out.

Mr. STERNE. You know something of the evils to which the proxy system has led in this country, and which the legislature of New York has remedied in this State by a bill which I draughted and which became a law.

Senator PLATT. A man cannot borrow stock for the purpose of voting on it?

Mr. STERNE. No; and he can be challenged if he does, and he must make an affidavit as to his interest. See what took place in this State. A certain banking firm of this city voted on 50,000 shares of Erie stock at one election of the Erie Railway Company, without having a dollar's worth of interest in the road, simply because the stock stood in their names on the books. See Hepburn committee report. This happens in this wise: The stock is bought abroad, through foreign bankers in New York, and for prudential reasons put in the names of such bankers, so that if lost they can be replaced; and before the English stockholder has the stock transferred to his name, which he very often never does for the purpose of exercising the voting power in a company which is so distant from him, the stock is allowed to stand in the name of the banker through whose instrumentality he originally bought it, and on that stock the banker gives a proxy. There was in that instance a single block of 55,000 shares of stock to give votes in favor of good government of that corporation or bad government, as the momentary interest of these holders of votes, without the slightest interest in the property, might dictate.

The CHAIRMAN. Were they not acting, by power of attorney, as agent of the other party?

Mr. STERNE. Not at all.

Senator HARRIS. Of record they were the owners.

Mr. STERNE. Yes, sir. That takes place with reference to all our great railway corporations. The stock of the Illinois Central is largely owned in England; and some of it stands in the name of the bankers to which the stock was originally issued. At times its voting power is worth \$1 a share, and at other times more. Some adventurers want the control of the railway and they buy these proxies, and it is much cheaper to buy at \$1 a share the voting power than to buy the stock itself, and so they buy the voting power. Of course respectable and right-thinking men do not now sell their proxies, as within the past decade a higher sense of responsibility has been awakened on this subject; but there was a time in my own experience when it was considered perfectly legitimate for a banker to put \$5,000 or \$10,000 in his pocket by the giving of proxies on shares of stock that he had not really owned for ten years.

## NATURE OF TRIBUNAL TO BE CREATED.

Senator PLATT. An objection which has been urged by those who believe that all the existing evils can be remedied by an act of the legislature which does not provide for a commission is that the country is so large, the railroad interest is so immense, and the complaints arise at distances so far remote from the Government that practically a commission cannot cover the field and do justice.

Mr. STERNE. I think there is much truth in that criticism, but that is not a reason for not attempting to do anything; that is rather a reason for doing more than you have been asked to do. I have no doubt the system will develop. It may come to be somewhat analogous to the organization of the United States courts. You create in the first instance a tribunal to sit at Washington, and it will be found necessary that those judges shall have the power to sit as circuit judges in certain districts, and therefore it is proper to make a tribunal, not of three men, as we have in the State of New York, but one of five at the very least, so that they can divide up into circuits.

The CHAIRMAN. You may have noticed that the Senate of the United States passed an inter-State commerce bill providing for nine commissioners, on the theory of the nine circuit judges.

Mr. STERNE. That is in conformity with the idea I have expressed. That may be one of the ways in which the business of such a commission as that of which we are speaking will probably develop. I believe the time is ripe for the passage of a national law by which the whole subject of inter-State traffic shall be regulated. I believe it is necessary, however, so as to silence all captious criticisms and objections and to prevent the vast amount of litigation which otherwise will necessarily result from a national law upon a question of power, that there should be a constitutional amendment by which the power shall be directly given to Congress, instead of being spelled out from the inter-State commerce clause, which is challenged at every point, and that a tribunal judicial in character is the only method by which the law can be enforced.

I have had many discussions with Mr. Reagan, who differed from me, as to the necessity for the organization of a tribunal, but I am still persuaded that the position I took of the necessity of a tribunal to enforce the law was well taken, that the law cannot enforce itself, and that the private litigant is powerless against these corporations with interminable and expensive appeals. In England, where the rights of the individual are even more respected than in this country, the right of appeal was taken away from the judgments and findings of the railway commissioners unless the railway judges themselves conceded that there was a ground for appeal.

## EXPERIENCE OF ENGLAND.

The organization of the English commission was at first a mere tentative effort on the part of the English Government to put its subjects in a position of equality with the railways. After the five years for which it was created had expired, both its term and its powers were extended, and now there is a bill before Parliament to make the board of railway commissioners an integral part of the judiciary of England.

The CHAIRMAN. Simply to transact railroad business?

Mr. STERNE. Precisely as there is a probate and a divorce court, and as there is a bankruptcy court or an admiralty court, England will then have a railway court for the purpose of meeting the exigencies of the case.

## DIFFERENCE BETWEEN NATIONAL AND STATE COMMISSIONS.

Senator MILLER. Do I understand you to advise that a national commission should have judicial powers, but that State commissions should not have such powers?

Mr. STERNE. Precisely so, and I have stated the reason.

Senator MILLER. Your reason, as I understood it, was that the recommendations of a State commission would be carried out largely by public opinion.

Mr. STERNE. Carried out largely by concentrated public opinion, which, if disregarded, will compel the State legislature to act to bring about the remedy; whereas a national commission, in the first place, will not concentrate such a public opinion, and in the second place the pressure of the evil is local in its character as compared with the National Government, and Congress will not feel itself impelled to act.

Senator MILLER. If the State commissions do work well and work satisfactorily without judicial powers, so far as that argument goes it goes, to show that a national commission would also work well without judicial powers unless there are other reasons coming in to prevent it.

Mr. STERNE. Precisely.

Senator MILLER. From my limited experience in the Federal Government, my opinion is directly the opposite of yours in regard to the ability of a national commission to enforce its judgments, or, if failing to enforce its judgments first upon the railroad, that it would not fail to secure national legislation. I think it can be shown, by going over the acts of Congress, that it is much easier to pass any measure which is strongly advocated by a single State, or by a small number of States having special and direct interests, than it is to pass any bill which affects the entire country. For instance, you cited the case of California, and said that it would be unable to enforce its desires through a national commission, because there would be no other State interested except California; yet California was able to procure the passage of a bill prohibiting the immigration of the Chinese, and there was no other State, unless Oregon, which was slightly interested in that; but the wishes of California were so strongly pressed by her Senators and Representatives that the bill was passed without difficulty. Then, if you come down to the land question, which is constantly in Congress, and follow its history, you will find that at every session of Congress great numbers of bills are passed which affect the public lands or particular reservations in a particular State, and they are passed without difficulty; but when you come to take the general land law—for instance, for several sessions of Congress we have been attempting to repeal our general land laws permitting pre-emption, we have been attempting to repeal all the land laws except the homestead law, and we have never been able to do it. When there is a particular bill referring to a special reservation in a particular Western State, or in regard to any question that is peculiarly local, in which the Senators and Representatives from that locality take a great interest, the legislation is almost without exception procured, and procured expeditiously; but when you come to the other question it almost always fails.

Mr. STERNE. Let me draw your attention to the fact that there is no adverse interest in those particular cases, whereas in every railroad question there is an adverse interest.

Senator MILLER. Not exactly, because when there is a complaint of excessive charges on the part of the Central Pacific line we are concerned, for it is the interest of New York that there should be cheap

rates on the roads running to California, because we ship our goods that way.

Mr. STERNE. Oh, no; our interest would be to have cheap through rates, not cheap local rates in California. We do not care what the rate from Reno, in Nevada, to San Francisco may be.

Senator MILLER. We may care if the rates are on goods going from this direction, because it has all to do with it as to whether the local freight along the line shall be supplied from the West, and Chicago is interested and Saint Louis is interested in it.

Mr. STERNE. We may have an interest adverse to the local interest, and are very likely to have, and therefore where the interest is not simply one way, but where the interest is frequently and generally an adverse interest, it is difficult to procure the action desired. For instance, take the case of the Minneapolis miller as compared with the miller at Rochester. The Minneapolis miller was interested in the low through rates and in having high local rates in the State of New York, so that the miller at Rochester should be compelled to go out of business altogether. In such a case the interests of Minnesota and New York are adverse and the Western representative pays no heed to the grievance of the Rochester miller.

Senator MILLER. But the case of the Rochester miller would appeal with great strength to a national commission and to Congress, for I think the whole history of Congressional legislation, if carefully gone over, will show that there is a constant desire on the part of Congress to do justice between the several States; that there is a courtesy, you may say, existing upon the part of each State to see that absolute justice is done to every other State, because they are liable to be interested themselves some day in some other question, and they desire that the absolute rule of Congress shall be that whatever complaint any individual State may make shall receive the most careful consideration from all the other States; and I think that rule holds so generally in Congress that a local demand coming from a single State, coming with strength from its representatives, is quite, if not more, likely to receive the attention of Congress than some object which covers the whole country. Of course I am not making this argument as against the judicial powers of the commission. I am not at all satisfied that a State commission should not have such powers, and I think it is eventually to come to that.

Mr. STERNE. It probably will.

Senator MILLER. We have commenced the State commissions without the judicial power. All great reforms and changes are brought about gradually. If it should be found impossible, through the sentiment of the country and through the influences which control public opinion, to on the start establish a commission with judicial powers, would it not be wise to accept the other thing and take a commission similar to a State commission, without judicial powers, and go on step by step?

Mr. STERNE. Unquestionably; but, then, let me draw your attention to this fact, that you are likely to get a much higher order of men if you clothe them with judicial functions than if you simply give them a political function of inquiry and report.

Senator MILLER. The difficulty of lodging judicial powers in a national commission seems to be on account of the constitutional question and the question of State rights, which would render it much more difficult to confer judicial powers on a national than on a State commission. If you were to clothe the commission of New York with judicial powers

over the railroads of the State, no constitutional question could arise. If you gave it power to sit in judgment as to all questions of unjust discrimination and improper rates, you could clothe it with power to make its findings absolute and final, and there could be no constitutional question raised about it. Then the only difficulty would be in getting a commission with sufficient ability and knowledge to carry out the law. But I can see no difficulty in giving a State commission judicial powers, and if any commission, in fact, should have such powers, I think a State commission, in the beginning, could use judicial powers with much greater ease and with less liability of trouble than a national commission; but I am not arguing against the judicial powers of a national commission, only I think your argument in favor of it is not sound when taken in connection with my knowledge of Congressional business.

Senator HARRIS. Do you find any want of constitutional power to create any judicial tribunal, except that more than one Supreme Court cannot be created by Congress? Cannot Congress create as many subordinate judicial courts as it may please?

Senator MILLER. I have no doubt at all it is in the power of Congress to create a railroad commission and make it a court for railroad matters. The difficulty would arise when it came to act in individual cases.

Senator PLATT. Why?

Senator MILLER. Because its action must extend over railroads which begin with and end with the State, like the New York Central.

Senator PLATT. I do not see that.

Senator HARRIS. By no means. Its jurisdiction would extend to inter-State commerce, and could not possibly extend to questions of State commerce or State jurisdiction.

Senator MILLER. Certainly not; but the question would arise if you were shipping grain from Chicago to New York. If the railroads desired to evade the Federal commission they would arrest that shipment at Buffalo, and the New York Central would say, "We take it here at the beginning of our road and leave it at New York City."

Senator PLATT. Any such court would fix what inter-State commerce was.

Senator MILLER. These questions would certainly arise in a national commission; they do not arise in a State commission; therefore I say it is easier for a State commission than a national commission to exercise judicial powers.

Mr. STERNE. I still adhere to the conviction that the reasons for clothing a national commission with judicial powers are very much stronger than those for clothing a State commission with such powers.

Senator MILLER. As their interests are greater?

Mr. STERNE. Precisely; their field is greater, and the difficulty of the litigant is greater, and there are many other reasons. But I am in favor of clothing the State organizations with judicial power. I was not one of those who believed they should be finally remitted to investigating and reporting, but I believed that would be sufficient to redress many of the grievances, and it has proved so. Just to the extent that it is sufficient, it is well not to resort to the more brutal course of the law, that is to say, of enforcement. If you can remedy things by public opinion, so much the better. If you cannot, you have got to resort to force.

The CHAIRMAN. Do you not think it is well enough for the National Government to commence with a mild course?

Mr. STERNE. No, for the reason that I do not believe you are going

to produce the same result as in the State, and then you have discredited the national commission. We produce good results with the existence of the State commission, and we have made the people content with the institution of such a commission, and therefore they are ready to give it larger powers. You create a commission which does not produce nationally satisfactory results, and get the opinion abroad that the commission is a mere instrumentality for fastening upon the United States Treasury five, six, or seven gentlemen to draw salaries, and that they are a *dilettante* set of officers, without judicial powers and impotent to enforce their findings, and it will afterwards be difficult to increase the power of and respect for such a tribunal. Such is my apprehension. I have learned, in the forty-six years of my life, that we have in public measures to make reforms step by step, and that we cannot do it all at once.

Senator PLATT. You think it better to educate public opinion?

Mr. STERNE. Advance step by step; but you must make your first step such a one that the people will be encouraged and not discouraged by the result. Hence I felt it proper to put before you, for your consideration, every question that to my mind enters into making a commission in the States a success, and which, to my thinking, would not be equally applicable to a United States commission, particularly as to the mere power of investigating and reporting.

#### THE PACIFIC RAILROAD.

And in this connection let me draw your attention to the very small amount of consideration that has been given to the recommendations of the various Government official reports that you have had in connection with the Pacific Railroads. They have made recommendations from year to year, and what have you done with them? With the exception of the Thurman act and the act of 1868, you have had no legislation in relation to the Pacific Railways at all commensurate with the importance of the gift that was made to those corporations, and the maladministration that has characterized them from end to end, and the great hardship with which that administration has been conducted. Notwithstanding the fact that you have Governmental directors and that they have made reports continuously, no remedial legislation has been the result.

Senator MILLER. The Governmental directors have been lost sight of among the other directors. They have gone into a board, in which they are a minority, of course, and, as you say, their reports have produced little results. But let us suppose that we had had a permanent Federal commission, consisting of five or nine members appointed by the President, of high character and ability, and that that commission had taken up the whole question of the Union Pacific and its indebtedness to the Government, had considered it properly, as it would have required weeks or months to have done, and had made an exhaustive report to Congress; I have no doubt, for one, that such a report would have carried conviction with it. But with one or two directors, appointed without much consideration as to their knowledge of railroad affairs, and changed frequently by the administration or by their terms of service expiring, they have carried very little weight. If the other practice had been followed, I have very little doubt that the recommendation of the commission would have met with the approval of Congress and carried conviction with it. The only question I raised was whether, in your judgment, under the present condition of affairs, and taking in view the

fact that all State commissions had been made advisory rather than judicial, it would be safe and wise to begin with a Federal commission with substantially the same power as a State commission, only larger, as it extends over the whole country, or stand for a commission with judicial powers, and, failing in that, keep up the agitation until you have gotten it or nothing.

Mr. STERNE. Of course all that is coupled with the idea that in your opinion it is necessary that there should be an anti-discrimination law.

Senator MILLER. There should be an anti-discrimination law, and the finding of a commission, if it is not to have judicial powers, should be certified to a court as a *prima facie* case.

Mr. STERNE. That, of course, would be a step in advance; but I still must adhere to the conviction that it is important to take into consideration the difference between the United States Government, and its relations to the varied interests it has in charge, and its enormous domain and territory, compared with a State. The pressure in this State by an injustice on the part of the New York Central is felt all over the State from end to end, while the injustice of the Denver and Rio Grande Railway Company is felt only in the western regions of Colorado, and beyond that it is not felt throughout the length and breadth of the land. That is the distinction which I regard as fundamental. An anti-discrimination law, with an advisory commission, is, however, a great step in advance, and if that should be the fruit of your labors it will have produced very beneficial results. Thanking you, Mr. Chairman and gentlemen of the committee, for the attention you have given to my remarks, I now close them, with the hope that your sessions will in themselves do much in enlightening public opinion on this most important subject, and, by bringing together in the light of day the most diverse views, enable you to make a most comprehensive and judicious draught of a law dealing intelligently and wisely with all matters touching inter-State commerce.

### ALBERT FINK'S STATEMENT.

ALBERT FINK (commissioner of the trunk lines and chairman of joint executive committee) appeared.

The CHAIRMAN. We shall be glad to have you give us your views upon the subject of the regulation by the Government of inter-State commerce. In your case we shall make no suggestions as to the mode of proceeding or the scope you may take, but we shall be glad to hear you generally and specially upon the subject in hand.

Mr. FINK. I am hardly prepared to deal with the question in that general way. I am prepared to answer any question that you may desire to ask. I had intended to prepare an argument to present to you, but unfortunately I have not had time to do so.

Senator HARRIS. You have the circular containing the questions upon which information is desired?

Mr. FINK. Yes; but I have said and written so much on the subject that I think I am already on record on almost every question asked in the circular, and probably I cannot do better than to recur to what I have already said elsewhere. I do not know whether the gentlemen of the committee have read the arguments which I have made on the subject of railroad legislation before several Congressional committees.

The CHAIRMAN. I believe I have almost everything you have said in print in my possession, and I think the members of the committee have

had some portions of it, certainly that portion of it that got into the record of discussion in Congress during the last year or two. If you do not care to go into a general discussion, you may, if you please, take up the circular and give your views upon it as you choose, without our asking any questions.

Mr. FINK. The questions contained in the circular are very comprehensive.

#### EXTORTION AND UNJUST DISCRIMINATION.

The first question is:

What is the best method of preventing the practice of extortion and unjust discrimination by corporations engaged in inter-State commerce?

For the last forty years the best minds of all civilized nations have endeavored to answer that question. It cannot be said that it has been completely answered in any country. Perhaps the nearest approach to it has been made in Prussia, where, within the last few years, the Government has acquired, by purchase, all or nearly all the railroads in the State, and they are now operated as a unit under Government administration. It might be said, using a popular American word, that the Prussian Government has pooled all the railroads of the state and has thus solved the railroad problem. We also find it necessary in this country to resort to pools, but on account of the large territory and the great number of railroads (there are about 17,000 miles of railroad in Prussia and 125,000 miles in this country) we are obliged to make a number of separate pools; and as we get no aid from our Government to control railroad tariffs, the efforts to do so have been so far made by voluntary association of the railroad companies, the operation of which cannot be expected to be entirely successful. The English people are still grappling with the solution of the railroad problem, as will appear from the records of the investigating committees appointed from time to time by Parliament; but even in England the adoption of the system called "pooling" in this country has greatly tended towards avoiding the evils which you now propose to remedy by legislation.

In France and other European countries the conditions under which the railroad system was created are so different from those in this country that we can hardly draw any direct lesson from the experience of these countries. In fact, in every country the measures for controlling railroads must be adapted to the existing conditions, which greatly differ in different countries. The plan that was deemed best in Prussia it would be impossible to adopt in this country. We have here to solve the problem in our own way, although the difficulties of the problem are precisely the same in all countries.

I make these remarks to show how difficult it is to answer precisely and definitely your first question, namely: what legislation is necessary to avoid extortion and unjust discrimination in railroad transportation charges? It would be necessary to go over the whole subject in all its intricate ramifications, and this would require more time than can be given to it in a short hearing before your committee; but I will endeavor to answer in a general way the questions asked in your circular.

Referring first to the subject of extortion, I may say that there is at present no legislation required to prevent extortion. That question has settled itself. If you would take the testimony of the people throughout the country, I think you would hear very little complaint about extortionate railroad charges at this time. There may be some cases, but I dare say they could be readily reached under existing laws.



I think you will find that, instead of the railroad charges being extortionate, in many cases they are rather too low—less than they should be to keep the railroads in order for efficient usefulness.

#### DANGERS OF RAILROAD BANKRUPTCY.

The attention of your committee should be directed to the necessity of adopting means to prevent the whole railroad system, or at least a great portion of it, from going into bankruptcy. This may result not from any commercial necessity, but from the impossibility or impracticability of intelligently controlling railroad property, arising from the peculiar conditions under which it was created, no provision having been made for its being properly governed. At present the large system of railroads east of the Mississippi River and north of the Ohio River is carrying a large portion of the traffic for less than cost, not because there is any commercial necessity for it, but because of the dissension and war between so many independent railroad companies. If such a state of affairs is continued for any length of time, you will find that even those roads which have heretofore been looked upon as prosperous will be unable to meet the interest charges on their bonded debt; and the destruction of so large a property cannot but have the most injurious effect upon the general welfare of the nation.

#### THROUGH AND LOCAL RATES.

The CHAIRMAN. It is your judgment that the railroads are not charging too much on their short hauls, or, if you please, local traffic? I take it for granted you believe they are not charging too much on interstate commerce or on long hauls, but on the question of short hauls or local traffic do you think that same fact exists?

Mr. FINK. When the charges on through traffic are so extremely low as they are now, when the railroads are carrying grain from Chicago to New York for 12 cents per 100 pounds, which is below the cost of transportation, the local charges appear comparatively high; they are not high in themselves, considering the cost of the service, but they are relatively high, and this often constitutes unjust discrimination. The remedy, however, lies in preventing the unreasonably low through charges. How they can be prevented is one of the questions which I hope your committee will take into consideration. Any measures that could be adopted to prevent railroad rate wars, which are the cause of these low charges, would remedy the complaint which now exists in relation to local charges, and avoid the unjust discrimination which it is the object of any proposed legislation to obviate. The local charges can always be properly regulated when proper through tariffs are maintained; hence the first object should be to secure the maintenance of properly adjusted through tariffs that are reasonable to the public and to the railroads. This done there will be no difficulty in adjusting local tariffs and preventing unjust discrimination. It is a rule generally adopted by all railroads to properly adjust local tariffs to the through tariffs when the latter are reasonable and fairly remunerative. For example, the tariffs of the Pennsylvania Railroad are so arranged that no higher charge is made from any station east of Pittsburgh to Philadelphia than from Pittsburgh to Philadelphia, nor from any station this side of Chicago than from Chicago. That is a rule generally adopted by all roads.

Senator HARRIS. Never to charge more for a short than for a long distance?

Mr. FINK. I do not say "never," because there are conditions under which this may be done without any injustice; but it is the general rule, in making tariffs, that whenever a proper through tariff is established, under which the railroads can live, they regulate all the local charges so as not to cause any unjust discrimination between the through and local rates; but when the railroads get into a fight, as some of them are at present, and when they charge 10 or 12 cents a hundred on grain from Chicago to New York, less than the cost of transportation, not because such low rates are a commercial necessity, but simply because the companies cannot control the maintenance of reasonable rates on account of dissension among themselves, then the local rates cannot be graded down to suit those through rates, and unjust discrimination between local and through rates is the unavoidable result.

The CHAIRMAN. You say the local rates cannot be graded down?

Mr. FINK. They can be, of course; but the result would be that the roads would very soon have to stop running, because they would not make enough money to pay their operating expenses; and it is in this way that the great difficulty arises, which has given just cause to much complaint, that in times of war between the railroads, when proper, well-regulated tariffs are not maintained, the local interests suffer and unjust discrimination exists. The remedy, however, is not to put down the local rates but to put up the through rates to a proper basis which would be just and reasonable both to the public and the railroads.

The CHAIRMAN. Do you mean by the Government?

Mr. FINK. That is the question. There can be no doubt that there must be some control exercised over the railroad tariffs that will prevent unjust discrimination. If the railroads cannot govern themselves, then I think it is proper that the Government should step in and give aid to the railroads. In that case the question would be whether the Government can give any aid at all, and what that aid should be. That it would be better for the railroads if they could control themselves, without any Government interference, is evident. I will refer hereafter to the efforts which have been made and are being made by the railroad companies to do so. They have been only partially successful so far, but it is possible that in the course of time they may solve the question without the aid and assistance or interference of the Government. If there be a reasonable probability of this, and the sacrifices and injuries inflicted in the mean time are not too great and will be patiently borne by the people, then it may be well to let them alone. It is a matter of judgment which is the best course to pursue, and your committee will, I hope, arrive at a proper conclusion upon this important question.

#### MAXIMUM AND MINIMUM RATES.

The CHAIRMAN. As to maximum and minimum rates being established by Congress, do you believe that can be done?

Mr. FINK. I think the plan of endeavoring to regulate railroad charges by the establishment of maximum rates is entirely impracticable. This is made clear not only by past experience, but simply by a knowledge of the nature of the case. To demonstrate this I will only mention this one fact: In the State of Tennessee, as Senator Harris will remember, there is a law that 7 cents per ton per mile shall be the maximum rate. Yet the railroads have never dreamed—or, I should say, have never been able to charge that much. They could not possibly do it, as

their charges are limited by other considerations than the law. At present the average rate is, perhaps, not more than 1 cent per ton per mile, showing how perfectly useless the limitation to a maximum rate has become, if it ever was of any service. You cannot fix a maximum rate for a great number of roads without allowing a great deal of margin to cover all possible contingencies.

The CHAIRMAN. You have to make the maximum very high?

Mr. FINK. You have to make it very high, so as to cover all the various cases that may arise. There is a good deal of difference in the cost of transportation on a road that runs through a country which affords very little traffic and a road, like the New York Central, that runs through a country which affords a great deal of traffic. For example, the trunk lines last year did not charge more than from seven-tenths to eight-tenths cent a ton a mile. Some roads could not live on that, and 2 or 3 cents a ton a mile perhaps would not be an unreasonable charge to be made by them. Every road must be dealt with on its own merits. It would be utterly impossible to fix a maximum rate under which some of the roads could work, and that would act at the same time as a restriction upon the great majority of roads.

The CHAIRMAN. If it would do no good to fix a maximum rate, do you think Congress ought to fix a minimum?

Mr. FINK. That is a question that has been suggested by the present state of affairs, when some of the railroads are obliged to do business for less than cost.

I am not prepared to say whether it is practicable or possible to pass a law fixing minimum rates, although it would seem to be desirable. For illustration take the case of the New York, West Shore and Buffalo Railway Company. That company charges between Buffalo and New York less than 1 cent a mile per passenger. It is a well-established fact that it is impossible to perform that service at that rate and pay operating expenses. That company is itself aware of this fact, as it shows a deficit of \$200,000 in the last three months of the year 1884 in meeting the mere cost of operation. The object of this measure in this case is to inflict losses upon the New York Central Railroad that might induce that company to yield a certain portion of its traffic to the new competitor. In a fight of this nature between two competing roads, for the purpose of obtaining or retaining traffic, there are involved not only the two roads themselves, but a large part of the whole railroad system of the country. Such is the nature of the transportation business that the tariff established by one or two roads becomes the tariff of a large section of the country, and if that tariff is purposely made so as not to cover the cost of operation, a large number of roads, from the mere action of these two roads, may, if such strife is long continued, be involved in bankruptcy; but, apart from the injury inflicted upon many innocent parties who have no direct interest in the fight between two roads, it becomes impossible to observe just and reasonable tariffs, and unjust discrimination between shippers and localities is the result. Here, then, is a case in point where it would be desirable if a law could be passed establishing minimum charges that would prevent such strife between railroad companies, carried on for mere private and selfish purposes, but in which the public interests are so seriously involved. It would be well if a remedy could be applied, but it is impossible to say what that remedy should be. Under the system under which the railroads of this country have been created, and under our present laws, each road has a right to establish its own tariffs, no matter how low they may be, and it has a right to protect itself against the encroach-

ments of competitors according to its own judgment, no matter what the result may be upon other roads or upon public interests. This is the fault of the system under which the railroads of this country are created and operated, and I suppose it is one of the objects of your committee to endeavor to suggest legislative remedies. I have, therefore, taken the liberty of calling your attention to a specific case, as any proposed legislation for the purpose of preventing unjust discrimination must cover just such cases as these; they are the source of unjust discrimination, and in providing for such cases you will find the greatest difficulty.

#### COST OF SERVICE.

Senator HARRIS. In an act prohibiting a railroad from doing business for less than the cost of doing it, what would you hold to be the cost?

Mr. FINK. That question I was going to touch upon, because the whole difficulty comes in there. In principle it would be well if such a law could be passed; but when you attempt to determine the minimum cost it becomes a very intricate question, as much so as to fix a maximum rate. The cost of service is different on different roads; even on the same road the cost of certain services may greatly differ. If you were, for example, to fix the minimum cost for carrying passengers at  $1\frac{1}{2}$  cents per mile, it would conflict with tariffs that are now established on suburban traffic when that special service may be performed for less. It would be almost impossible to establish a minimum rate covering all cases, based upon the cost of service; and perhaps it would be still more difficult to determine what party should have the right to determine such minimum rate.

Senator HARRIS. The point about which I wanted your opinion was particularly this: Do you regard the mere running expenses as constituting the cost of doing the business, or do you include interest as well upon the capital invested in the construction of the road and the equipment?

Mr. FINK. I think it would be a great advance if you could pass a law that would restrict a road not to do business, intentionally for the purpose of destroying another road, for less than the mere operating expenses, to say nothing at all about interest on the capital invested.

While it may seem desirable that a law should be passed fixing minimum charges, I think, upon further reflection, it would be entirely impracticable to do so. I, for one, do not recommend it. This is a similar case to a great many other cases where it seems desirable to correct certain evils by legislation; the principle on which the law is to be based is clear and correct, but when we come to the practical application of those principles we meet with many complications and difficulties which it is impossible to overcome by legislative action.

Senator PLATT. Before you go further I would like to ask a question. You said that you thought the rate of 12 cents a hundred for grain from Chicago to New York was less than the cost. What element do you take into consideration in determining the cost of carrying grain? Of course there are a great many elements, but what are the main elements which enter into the cost when you make that statement?

Mr. FINK. There are a great many elements entering into the cost of transportation. They may be subdivided in five main classes:

First. The movement expenses—the actual cost of moving the freight or passengers, wages of train-men—conductors, brakemen, engineers, firemen; then car repairs, locomotive repairs, fuel, water, and wear of

rails. These constitute the expenses incurred in the mere movement of the freight or passengers.

Second. The station expenses—loading and unloading freight, depot accommodations for passengers and freight, clerks manifesting freight, ticket agents, &c.

Third. Maintenance of road-bed, bridges, buildings, &c.

Fourth. General expenses of administration.

Fifth. Interest on investment.

Now, when the question arises, What is the lowest cost at which a fully equipped and organized railroad can move a certain amount of freight? the mere cost of moving and handling the freight has only to be considered, without charging to that particular service any part of such other expenses which may have to be incurred whether this additional freight is carried or not, nor charging it with any interest on the investment. This would be the lowest cost at which freight may be carried by a railroad without losing any money, simply reimbursing it for the mere outlay of moving and handling the freight. But of course a railroad could not carry all its traffic at such a low rate, as that would not reimburse it for the general expense or for the maintenance of the roadway, or allow it any interest on the investment. It may sometimes be advisable for a railroad company to take a certain class of business which cannot be moved except at the mere cost of moving the freight, although it may make no money; it can take this business at less than the full cost, in order to foster thereby trade and industries that otherwise could not be carried on; and in such cases they may rely for compensation upon indirect advantages that may result from the building up of such trade and industries.

I mention this to explain the great variation that may be made in railroad charges for similar services according to the circumstances of the case. On one class of freights a railroad may have to be satisfied with a compensation that merely covers the cost of moving the freight, while on other classes it may be able, in fact is obliged, if the road is to be run at all, to make a charge that will not only reimburse the company for the movement expenses, but also for the general expenses and interest on the capital invested.

The item of interest constitutes about 40 per cent. of the total average charges made by the railroad companies at this time; that is to say, of the charges the railroad companies now make to the public, 40 per cent. are applicable to the payment of the interest, which at the present time amounts to about  $4\frac{1}{2}$  per cent. on the bonds and stock representing the capital invested in the railroads. It may be estimated that upon an average of \$1 earned by all the roads in the United States for a certain service, 40 cents are required to pay  $4\frac{1}{2}$  per cent. interest on the bonds and stock, 35 cents to pay the mere movement expenses above referred to, and, say, 25 cents to pay for the maintenance of the roadway and the general expenses of the organization.

It appears, therefore, that railroad companies can vary their charges for similar services within very wide limits, according to the circumstances of the case. It may sometimes be in the interest of the railroad companies, as well as in the interest of trade, to move freight at the mere cost of moving the same, without paying any part of the general expenses or the interest on the investment, and then, under more favorable circumstances, a railroad may be able to charge not only the movement expenses, but the full proportion of the general expenses and interest.

It is a matter of judgment and experience to make tariffs under which

the commerce of the country can be fully developed and reasonable compensation secured to the carriers. This constitutes the profession of railroad traffic managers and is a work that never can be performed by legislative bodies.

The foregoing analysis of the elements of the cost of railroad transportation will also prove the fallacy of the popular doctrine of making railroad tariffs on a pro-rata basis. The expenses of a fully equipped road which vary with the work performed, as I have before shown, are the movement expenses; the general expenses and interest are fixed amounts which have to be incurred whether any work is done or not; so that really, if my estimate is correct (and I think it is nearly so, taking an average of all roads in the country—of course it varies with different roads), the charges which should be based upon the mileage constitute only 35 per cent. of the total average charge. The remainder necessarily has to be assessed arbitrarily, in accordance with what the service is worth. It may be proper to haul freight between points where there is competition at a rate of 35 cents per 100 pounds, without making any assessment for general expenses or interest, and then again it may be proper to charge \$1 per 100 pounds, making a full assessment for general expenses and interest.

Senator PLATT. Is there any rule for charging to any particular train of cars from Chicago to New York its proportion of the general expenses of the road? Would not that have to be an arbitrary matter rather?

Mr. FINK. There can be no rule by which either the general expense of a road, or the interest, can be charged to any particular service. While this might be desirable, yet the charges made by railroads are not based on the cost of the work, but are restricted and controlled by conditions not under their control. There is only this general rule, or principle rather, that guides railroad managers, namely: that under no circumstances should they carry freight for less than the movement expenses and the cost of handling the freight, but the general expenses, as well as the interest charges, should be assessed as it may be possible and fair, so that at the end of the year the average of all the charges made will reimburse the movement expenses, the general expenses, and the interest on the investment.

Senator HARRIS. Could not a pretty accurate approximation be reached upon this basis: Say it takes 24 hours to run one of those trains from Chicago to New York, and say there are ten trains upon the road during that 24 hours that the road is being used. There are 365 times 24 hours in the year. Then could you not approximate the probable amount or proportion of that general cost by taking one-tenth of that 365th part of the general expenses?

Mr. FINK. Oh, yes; that would be a proper way to do, and that rule is generally adopted, only it is simplified by making the assessment of general expenses in accordance with the number of train miles run over the road. For example, during a year a certain number of miles are run by the passenger and freight trains; the general expenses and interest are assessed between the passenger and freight traffic according to the number of miles run by each class of trains. This is an approximation, and I think it is as nearly a correct way of assessing the general expenses upon special services performed as can be arrived at. But while this knowledge of the cost of each service so assessed is desirable, it is of little practical use in regulating railroad charges or establishing railroad tariffs. The charges are regulated by other considerations than the cost of the work to the railroads. They are regulated by the value of the service to the parties for whom it is performed. If any ar-

ticle of commerce is to be moved between two points, the difference in the market value at the two points, which is generally fixed by competition, is all that can be charged for the movement of such article. If it were attempted to charge more the article could not be moved. For example, the price of grain is generally regulated in the Liverpool market, in competition with grain from East India and the Black Sea, and the railroads and ocean steamers must carry the grain between the West and Liverpool for the difference between the price which the farmer in the West demands, and on which he can make a reasonable profit, and the price at which it can be sold in Liverpool. Now, it may so happen, as it does happen, that the railroad companies cannot charge upon the grain the full cost of moving it and assess it with a proportion of the general expenses and interest, and in this case they must carry it for less than the average total cost, including all expenses. It follows from this that on other classes of freight the railroad companies must assess a greater proportion of the general expenses and interest, when that is admissible, in order to compensate the carriers at the end of the year for all the work they have done. From this arises the necessity for classifying freight according to the transportation charges it can bear, making higher charges on some classes than the average cost and lower on others. It is in this way that the interests of the public are best served, the trade and resources of the country fully developed; and for this reason pro-rata charges, based on weight and distance alone, are impossible. It is a very difficult and complicated work to establish proper transportation tariffs. It requires a great deal of knowledge and special training, and even with this it cannot be expected that perfection can be reached.

Senator PLATT. When you suggest that 12 cents a hundred on grain from Chicago is less than the cost, what do you mean? Is it less than it costs to haul a particular train of cars from Chicago to New York, or less than the cost counting all the expenses of the road?

Mr. FINK. It is less than the actual cost of hauling the cars. The average cost on the roads between here and Chicago which are operated the cheapest is about 24 cents per 100 pounds, which includes the general expenses but does not allow anything for interest. Some classes of freight, such as grain, can be hauled for somewhat less than the average cost, because the average cost includes the more expensive local business; yet I do not think grain can be hauled for much less than about 20 cents, including general expenses; and the mere cost of movement cannot be less than 15 cents. The cost of returning empty cars must be charged to this service. So the lowest actual cost is not reimbursed by a charge of 12 cents per 100 pounds.

Senator PLATT. Then it follows that they are losing money on the grain freight, and must necessarily recoup that loss from the other freight or from local freight?

Mr. FINK. They must either recoup it or absolutely lose it.

Senator PLATT. I mean recoup it in order to live.

Mr. FINK. I do not know how they can recoup it. If they had the power to recoup it they would. They have to reduce even their local charges on account of the lower through rates. This is an additional loss.

#### EFFECT OF RAILROAD WARS.

Senator PLATT. That brings up the question, what remedy there is for such a condition of things.

Mr. FINK. If these railroad wars, during which charges are made un-

necessarily low, below the cost of the mere movement expenses, were only spasmodic and did not continue long, the railroads might be able to recoup themselves to some extent when the wars cease. But if continued for a great length of time a very serious state of affairs will result. The first step railroad companies take when they are actually losing money is to cut down the wages of employes. Then that is sometimes followed—it has been in past experience—by riots and bloodshed. We may have to pass through the same experience again. Besides, during these war times, when there are no tariffs, unjust discrimination prevails and transportation charges are constantly fluctuating, thus creating great dissatisfaction among the shippers. The shippers do not want these extremely low rates. They would be better served with reasonable, steady, and even rates. Yet that is impossible when there is a state of war like the present. I do not wish to be misunderstood; I do not complain of low rates when the commercial necessities require low rates. At present, under any circumstances, rates would be low. I do not believe they could be made higher than 20 cents per 100 pounds on grain from Chicago to New York, which is the bare cost of moving grain, including the general expenses, but without any profit to the roads. Yet the roads carry grain for 12 cents and less, for which there is not the least necessity. This low rate does not at all have the effect of moving more grain; it simply results from the great difficulty in carrying out agreements between so many railroads, which they are ready enough to make but not to keep. If you wish to prevent unjust discrimination, you must stop rate wars by forcing the roads to adhere to their agreed tariffs, if such tariffs are reasonable and proper.

The CHAIRMAN. How long has this condition of affairs that you speak of existed among the trunk lines? I suppose you refer to those?

Mr. FINK. Yes, to the roads east of the Mississippi River. It is about a year since the agreed tariffs on east-bound traffic have not been observed—I mean since each road has felt at liberty to make its own tariffs, regardless of the agreed tariffs—and this has been brought about principally by the opening of new routes, because they would not agree to any fixed tariff.

The CHAIRMAN. Within the last year or two?

Mr. FINK. Within the last year and a half, perhaps. But during this time there have been periods when tariffs were better maintained than at others. Now, the question is, what is the remedy?

Senator PLATT. It would seem as though mutual self-interest would stop this state of things after a while.

Mr. FINK. Yes, it would seem so; but unfortunately it does not. Mutual interest is not strong enough. There are too many conflicting interests, and they are stronger. Every railroad manager recognizes that the best plan is to agree upon a proper tariff and strictly adhere to it. Yet there are always some among a number of railroad managers—we have to deal with some forty or fifty roads in the territory mentioned—who disregard agreed tariffs and resort to secret cutting of rates and paying rebates, in the hope that they can secure advantages over their competitors, although experience has sufficiently shown that these advantages are only temporary, while their action finally results in rate wars, inflicting immeasurably greater losses than any temporary advantage that might possibly be gained. And when one company resorts to these practices all have to follow. Railroad tariffs are like houses built of cards; if you remove one card, the whole house falls to pieces. The intricate relations of these tariffs one upon the other is like that. They cannot be tampered with. This is well understood, and yet it is



constantly done and then results in war. For example, when some road in Chicago cuts the grain rate but 1 cent, it is felt at Indianapolis. The Indianapolis roads must follow at once. So it is all over the country. Whenever there is the least deviation from the tariff anywhere, it has to be followed everywhere. This makes the maintenance of properly adjusted tariff rates so very difficult—almost unmanageable by the mere voluntary agreements of railroad companies.

Senator PLATT. Before you go to the question of what the remedy is, let me ask this: Who gets the benefit of this? Does the farmer get the benefit of it on his farm?

Mr. FINK. It is very difficult to trace that. In most instances the middlemen and speculators get it. When there is a long-settled reduction in rates, I suppose the farmer gets the advantage in a measure. When rates are reduced from Chicago to New York, the effect generally is that the parties who hold the grain in the West—the speculators and dealers in grain—get the advantage of the cut in the rate; but the farmer, if the reduced rates last long enough, gets some of the benefit. The holders of grain in the Eastern markets who paid the higher charges are of course the losers by sudden reductions. But of a great many other classes of freight it can be shown that these reductions do not benefit the consumer, but only benefit the middlemen. The transportation charges are so small, compared with the cost of a great many articles, that the benefit of reductions does not reach the consumer, but is absorbed by the middlemen. These reductions may amount to a great deal in the aggregate to the merchants, but are so small when distributed among so many consumers that they do not reach the consumer; they only increase the profits of the middlemen.

Senator HARRIS. About how long do these wars of cutting rates last?

Mr. FINK. Some rate wars last only a short time—a week or several weeks. A short time ago a war broke out between the northwestern roads which lasted only two or three weeks. It arose from some question that might have been settled as well without a war. Some railroad wars have lasted a year and longer. They generally last until all the roads are exhausted, when finally they come to the conclusion that they can go on no longer. They hardly feel the pressure and necessity for settling their difficulties until their treasuries are empty.

The CHAIRMAN. Not until they run out of money?

Mr. FINK. Then it strikes them that they ought to have had more sense, and then they come together again, more inclined to come to terms. Railroad rate wars arise from the dissension between so many independent competing roads as to the tariffs and the relative amount of traffic each road wants to secure. The wars do not settle any of these questions, but simply make the contestants more willing to treat with each other and settle their differences. This might as well be done, if reason prevail, first as last.

#### OBJECT OF TRUNK-LINE ASSOCIATION.

The CHAIRMAN. It has been your business, has it not, to try to prevent these wars?

Mr. FINK. Yes.

The CHAIRMAN. And to fix the division of carrying and the division of profits, and all those matters, between the trunk lines?

Mr. FINK. Yes; that has been the object of the association called the Joint Executive Committee, of which I am the chairman, and of other similar associations that have been formed in different parts

of the country. These associations are formed by a number of competing roads for the purpose of establishing proper tariffs and strictly maintaining them. The object of these associations is precisely the same as that which you desire to attain by Congressional legislation. The operations of these associations and their absolute necessity are not fully understood by the public. Neither is it fully understood that under no circumstances do these associations enable the railroads to make unreasonable charges, because, as I have explained before, railroad tariffs are regulated entirely by other considerations than the mere will of the managers. There is no great difficulty in agreeing upon tariffs, although very complicated questions sometimes arise. For example, the question of the adjustment of rates from common points in the West to the seaboard has given rise to very exhaustive railroad wars, solely for the reason that no agreement could be reached as to what should be the relative charges from points in the West to, say, Baltimore, Philadelphia, New York, and Boston. Finally that question was settled by arbitration, as it might have been settled at first. The joint executive committee has now been in existence for some seven years, and its object is to facilitate agreements between the railroad companies upon all questions which might lead to railroad wars, and to settle them by mutual agreement, or, failing agreement, by arbitration. A great many difficulties have been settled, and railroad wars and unjust discriminations have been less frequent than before, while, at the same time, no unreasonable charges have been made. The history of the association from its inception will fully sustain the correctness of this statement. Rules and regulations have been adopted in regard to the establishment of tariffs, which are recognized as correct and just. The tariff question itself does not present any serious difficulty within the territory in which the roads represented on the joint executive committee operate. From time to time new questions have arisen, but they have generally been settled by agreement. There is, therefore, no difficulty in arranging proper tariffs; the difficulty is in enforcing the same. The main rule that prevails in this section of the country for making tariffs is a very simple one, and it has been a satisfactory one. The rates between Chicago and New York, which are generally determined by the competing water-routes, are taken as the basis of the tariff. When that is established, a table which has been prepared, based upon the relative distances of other points to points of destination of the freight, gives the corresponding rate from other cities in the territory east of the Mississippi River and north of the Ohio River.

The CHAIRMAN. You mean all the stations along all the roads?

Mr. FINK. I mean from all the important competitive points.

The CHAIRMAN. Can you furnish that table to us?

Mr. FINK. Yes, sir. Here is the percentage table agreed to. This is the result of the efforts of these competing roads during the last ten years to establish a proper tariff, to avoid unjust discrimination between the various localities in the West. The rates from the competing points to common points in the East, say New York, are in proportion to the distance from Chicago to New York. For example, Cairo, Ill., is 120 per cent. of Chicago. It is 1,200 miles from New York, while Chicago is about 1,000, in round numbers. Whenever the rate from Chicago to New York has been established, the rate from Cairo to New York is 20 per cent. higher. Take Indianapolis for another example; its distance from New York is 93 per cent. of the distance from Chicago to New York. Whenever the rate is reduced from Chicago to New York

from 25 cents to 20 cents per 100 pounds, the rate from Indianapolis is at once reduced to 93 per cent of the 20 cent rate, or 18½ cents.

The CHAIRMAN. Recognizing the distance as that much less?

Mr. FINK. The relative distance between points between which freight is to be carried is made the basis of the tariff—substantially so. There are sometimes a great many routes of different lengths between common points, and rates may sometimes be based upon the long, sometimes on the short, and sometimes on the average length of the several routes.

The CHAIRMAN. While you are regulating freights on a road from here to Chicago, for instance, you begin at Chicago to charge so much from there to New York or from New York to Chicago; and you do the same thing as to every other point where there is another road that comes this way? You let each one of the roads cut and carve at every station where there are not two roads, do you?

Mr. FINK. No; there are certain rules upon which tariffs are made from local points. After a rate has been established from a competing point, say from Indianapolis, it being 93 per cent. of Chicago, then the rate from a point beyond Indianapolis (if it is not a competing point, but a local point on any one of the various roads that run to Indianapolis) is added to the through rate. The local rate, which is generally for short distances, can only be charged to the point where the freight reaches the first competing point. The roads can never do more than that. And here I would call your attention to this fact: that high local rates can only be made for short distances. For example, I suppose in Illinois there is no place more than 10 or 20 miles from some competing railway station. In such a case the local rates could only be made high for 20 miles. As soon as the freight strikes a competing point, and it is intended to go beyond that point, it gets the advantage of whatever low rates may exist from that point. The local shipper has the full advantage of competing rates.

The CHAIRMAN. Why do you not make the tariffs as though there were no competing points? In other words, if you charge so much from Chicago to New York, and there is a station 10 miles this side which is not a competing point at all, why do you not say that the charge from that point to New York shall be so much less, and control that charge as well.

Mr. FINK. It is a rule that this freight should not pay more than from Chicago, but you can understand that it may cost more to take freight from a point 10 miles east of Chicago than from Chicago. But, nevertheless, the roads generally follow the rule not to charge more.

The CHAIRMAN. That is, the rule of the pool, as you may call it?

Mr. FINK. That is, the rule of each of the several roads; although it can be shown that it may cost more to pick up business at local stations and haul it for short distances than it costs to take it from points where there is a great concentration of traffic and haul it for longer distances. I have already explained that distance is not the only element in the cost of transportation; and while there are some very good reasons why the railroads should charge more, yet they generally have found it to their interest not to do so except where it is absolutely necessary for their existence. It is impossible to explain to a local shipper why they should be charged more for the shorter haul than for the longer haul. It can be very easily shown that it is perfectly right to do so. But you cannot make the local shippers understand it; and in order to avoid the friction I think the roads generally give up that point and avoid charging more for short hauls on their local traffic than for long hauls.

Senator PLATT. But they keep charging the same rate as they come on nearer to New York.

Mr. FINK. Not exactly. They may keep the rate proportionately higher; that is, they do not grade it down exactly according to distance. Pittsburgh is a competing point, and its charges are fixed on the pro rata system again. As you leave Chicago the local rates have to be graded down until they meet the Pittsburgh rate. They cannot keep up the Chicago rates all the way to Pittsburgh. They shade the rates down gradually.

Senator HARRIS. When you reach a competing point you pro rate?

Mr. FINK. The rates from competing points are regulated by the percentage table, by the distances. It costs no more to ship by rail per mile of road from Indianapolis than it costs from Chicago. This is the effect of legitimate competition, which I think is not appreciated and understood by gentlemen who are not familiar with the making of tariffs, and who think that the railroads could shield themselves from this legitimate competition by pooling. The laws of competition in making tariffs have unrestricted sway, pool or no pool, and are the surest safeguards against extortionate rates. Take Indianapolis, for example, which is an inland town, and has no canal or water-route anywhere near it. Yet the Indianapolis railroads, on account of competition with the Chicago roads and with the lake and canal, have to do the work from Indianapolis for the same compensation per ton per mile that the Chicago roads have to do it, although the Chicago roads are right on the lake and have directly to compete with the lake and with the canal.

The CHAIRMAN. Why is that? Is it because of the competition with the Chicago roads?

Mr. FINK. Because of the competition with the Chicago roads. For example, if the Indianapolis roads would hold their rate higher per mile, then the tendency would be for all the grain to avoid Indianapolis and to go to Chicago.

The CHAIRMAN. Starting from there?

Mr. FINK. It would go from all points that could reach Chicago as well as Indianapolis. The grain would go where it could get the lowest transportation. If the Indianapolis roads kept the rate too high, the roads that ran from Indianapolis to Chicago would at once go into the business and carry all the freight to Chicago, and let the Chicago roads carry it east. So it is the competition between these various roads that regulates the rates from Indianapolis and keeps them down to the lowest rates made from Chicago per mile of haul, although it does not appear on the surface, to the casual observer, that there is any competition at all after there is an agreement by competing roads upon a fixed tariff and a pool has been made. The competition is recognized before the tariff is established. The tariff is practically a competitive tariff; the pool is merely for the purpose of maintaining the competitive tariff. It is a popular idea that competition is destroyed by a pool. This is a fallacy.

Senator PLATT. What determines the fact that a given place is a competing point?

Mr. FINK. Any place that has more than one road that can carry traffic to the same points. If a country is cut up like it is in Indiana and Ohio with so many roads, every station becomes a competing point, although it may have only one road. A great many farmers are so located between two roads that they can haul their products as cheaply to one road as the other, so that roads, although they do not come together at any point, may become competing roads. In States where there are

so many roads it is almost impossible to maintain any tariff, on account of so much competition. That is one of our difficulties.

The CHAIRMAN. Do you think the action of the road on this state of facts is right? For instance, I know a case near my own town where a farmer had two farms, one on a road connecting with the Baltimore and Ohio road and another on a branch of the Central road, each about 25 miles from Springfield, where I live. The farmer had a lot of corn on each farm and he wanted to sell it about the time it was put up to 41 or 42 cents. An agent came along and said to him, "I will give you 41 cents for the corn out here on the Central road, because," he said "I can ship it down to Springfield and ship it over the Ohio road to Baltimore or somewhere east." The farmer sold him that corn. Then the farmer said, "I have got some corn down here about 25 miles off on the Baltimore and Ohio road that is much nearer to Baltimore than is Springfield, and I would like to sell you that." The agent said, "I cannot buy that and give you over 35 cents." The farmer would not sell it at that price. Now, this farmer asked one of the directors of the Baltimore and Ohio road why that was? He said, "Why, they could make arrangements with the branch of the Illinois Central to bring your corn down to Springfield and take it on their road, which would be so much gain, but the corn down on our road is our meat anyhow."

Mr. FINK. That is certainly a case of unjust discrimination, and I am glad you mentioned it, as it shows exactly the cause of unjust discrimination and the way it should be remedied. Springfield being a competing point, the Baltimore and Ohio Railroad, no doubt, reduced the established and agreed rate at that point in order to take this business away from some other road. That is what is called competition, and it is this sort of competition which creates unjust discrimination. The remedy is, after a proper tariff has been established and agreed upon between competing roads at Springfield these roads should be made to adhere to it strictly. If that had been done in this case your friend would have had no cause for complaint. As long as you let roads fight each other you cannot expect to maintain uniform and properly adjusted tariffs, and you will have to submit to unjust discriminations. There is no other alternative.

Senator PLATT. When was that table prepared?

Mr. FINK. The last revision of this table was made June 1, 1883. It is revised from time to time as new places are added to it.

Senator PLATT. Since it has been established, during what portion of the time has it been practically and substantially maintained?

Mr. FINK. I may say that during no time have the established tariffs been absolutely maintained. There are always more or less concessions in rates made to individual shippers, but the relative rates from different localities, as established by the table, have been substantially observed. Deviations from it are only caused by concessions to individual shippers.

The CHAIRMAN. Is that tariff system that you speak of the result of this organization here of which you are the head?

Mr. FINK. No; the general rules of making tariffs on this basis were already in force before the organization existed, although changes have been made from time to time. The organization has for its main object to establish tariffs and to enforce the same.

The CHAIRMAN. That was one of the objects of the pooling system?

Mr. FINK. Yes; to enforce established and agreed tariffs.

The CHAIRMAN. But you have not succeeded?

Mr. FINK. There has been no absolute success, and it is not likely

that there ever will be so long as these associations are only voluntary and it is not obligatory to carry out the rules of the associations; but a great deal of good has already been accomplished even by these voluntary associations. The Southern Railway and Steamship Association, for example, has been in existence for ten years, and has fully accomplished the object for which it was created. It was the first complete organization of this kind. Other associations in the West have been successfully carried on for a number of years, but they embrace fewer roads than are embraced in the joint executive committee, and the territory in which they operate is more limited and more strictly defined. The difficulty of establishing and maintaining tariffs increases with the number of companies between whom the agreements have to be made. There are forty or fifty roads, members of the joint executive committee, operated east of the Mississippi and north of the Ohio Rivers, any one of which can disarrange the best constructed tariff. Absolute success in maintaining tariffs by voluntary agreements between so many roads, under such complicated conditions, can hardly be expected, although there have been periods since the establishment of the joint executive committee when there has been a nearer approach to the strict maintenance of established tariffs, and for a longer continuous period, than there ever were before its formation. The operations of the joint executive committee commenced in June, 1879. Tariffs were fairly maintained from that time until June, 1881, during an unprecedented period of two years. Then there came an interruption—a rate war—until February, 1882, after which the work went on successfully until the early part of 1884. Since that time there has been more or less friction, brought about, principally, by the opening of new roads. Looking over the past experience, I consider that great progress has been made by the railroad companies during the last ten years in dealing with this difficult and extremely complicated problem. They may be able to finally work it out without any aid from the Government. I can only say that if the Government desires to take any action at all it can only be taken in the direction indicated by the efforts of the railroad companies themselves; that is, by legalizing the associations formed by them for the purpose of establishing and maintaining proper tariffs.

Senator HARRIS. Down to this time tariffs have been made by the various transportation companies?

Mr. FINK. Yes; that is the practice with transportation companies all over the world.

Senator HARRIS. If tariffs are to be made, the common carrier is interested in them upon the one side and the general public is interested in them upon the other side. If they are to be legalized should not both elements be represented in the making of them?

Mr. FINK. I think so; yes. There should be supervision, to see that tariffs are proper, reasonable, and just. The Government should not legalize an organization that would make unjust or unreasonable tariffs.

Senator HARRIS. How would you suggest that the general public should be represented in the making of a tariff which, when made, is to be legalized and enforced?

Mr. FINK. The general public is already fully represented and consulted in making tariffs. This is not generally understood by the public, who think that tariffs are arbitrarily made by railroad companies. This is not the case. The railroad officers are in constant contact with the public, through thousands of agencies, and they fully understand the views of almost every shipper, and endeavor to meet those views as

far as possible. When a tariff is published, and it is not satisfactory to any shipper, complaint and application for changes are made at once, and such applications are fully and fairly considered and correction made if necessary. That is the practical way in which tariffs are made by railroad companies. They are built up by degrees with the help of the public, in this way, and, as a rule, the tariffs are satisfactory to the shippers. There can be no better way of making tariffs. Government officers in Washington who have no intercourse with the public, as the railroad companies have through their agencies, cannot be expected to establish tariffs for 125,000 miles of road. Supposing that there is a station for every 6 miles of roads there would be about 20,000 stations. If a tariff was to be made from each one of these 20,000 stations to the other 19,999 stations, what a work this would be? Of course, I do not wish to intimate that each station in the country would have business connection with every other station; but merely wish to give a general idea of how complicated a task it would be for the Government to establish tariffs for the railroad system of this country. The officers of the railroad companies are in the best position to make tariffs. It is their life study. It is a profession, the same as that of a lawyer or of a statesman. It requires the experience of years and a thorough knowledge of a great many facts, and a knowledge of all the local conditions on each road bearing on the subject that can only be obtained by practical experience in contact with the shippers. Moreover, these officers are mere agents; they are really disinterested parties, as much as Government officers; they act as umpire between the public and railroad companies. They have no selfish motive in being unjust to the public.

These are some of the reasons why I advocate that the making of tariffs should remain, as heretofore, in the hands of the railroad companies, and that the Government should not interfere with it. But, in case the Government is called upon to legalize and enforce tariffs, there can be no objection to having competent authority appointed by the Government to pass judgment upon the justice and reasonableness of the tariffs to be legalized. If there be any reasonable objections raised, then there is no doubt in my mind that the proper modifications could be arranged.

Senator HARRIS. Conceding the superior intelligence and expert knowledge, if I may use that term, of the general subject, to the railroad men, if the railroad men alone are to make these tariffs, then the general public, which is interested in antagonism to the interests of the railroad men, because they are conflicting interests——

Mr. FINK. Absolutely conflicting. One party wants to get the work done for the least money, and the other wants to get the most for it.

Senator HARRIS. Then the general public are not heard in respect to the tariff, except by the expression of public opinion after the tariff has been made, and railroad people respect those expressions of public sentiment only so far as they choose. Is not that so?

Mr. FINK. No; so far as they are proper and just——

Senator HARRIS. But the party in interest on one side makes himself a judge.

Mr. FINK. Should the party who renders the services not finally be the judge? He furnishes the means and takes the risk. He ought to be allowed to control his own property. The party to whom the service is rendered should of course be heard and consulted, but should not be allowed to make the final decision. The final decision in regard to tariffs should be with the parties who render the service, subject, of course, to the laws of the country, which provide that tariffs shall be

reasonable. If it can be proved that tariffs are extortionate and unreasonable redress can be had under the law. The power to make tariffs should not be given to the public nor to the representatives of the public. The public is the purchaser and the railroad company is the seller. The final decision, however, should be a matter of bargain between the two parties, as it is in all other commercial transactions between purchaser and seller, and this practically is the case in regard to railroad tariffs, although it does not appear so on the surface to parties who have no practical experience in the matter. The fact is that shippers are constantly bargaining with the railroads. Considering the reductions that have been made in the tariffs during the last ten years, it must be admitted that the shippers have had the best of the bargain. Those who are not brought in direct contact with shippers and railroad companies, those who only know that the railroads establish fixed tariffs and attempt to adhere to them, do not understand that those *fixed* tariffs are practically the result of bargains with the shippers, and that all the legitimate elements of competition have been considered and have had their influence upon them; but because they are *fixed* and the railroad companies refuse to make a separate bargain with every shipper, as they ought to refuse or ought to be compelled by law to refuse, that gives the result the appearance of arbitrary action. The general public, not familiar with the practical operation, are apt to look upon transportation companies as monopolies. There is no business in the world that is so thoroughly regulated by competition as the transportation business, not only by competition between the roads, but by the competition in every trade. The railroad companies are in this difficult position before the country. When they adhere to fixed tariffs and refuse to make concessions to please each shipper they are called monopolies, and when they make these concessions they are to be prosecuted for unjust discrimination. Of course, the proper way is to strictly maintain well-regulated and reasonable tariffs; but, whatever they do, fault is found.

Senator HARRIS. The exact point of my question is this: Whether, in your opinion, any method can be devised by which both interests can be represented in the making of tariffs which shall be fair alike to the common carrier and to the general public?

Mr. FINK. That is the point I am reaching. I have endeavored to explain the practical methods employed in making tariffs, to show that the public are already represented, although it does not appear so from merely superficial observation. The shippers are at present more efficiently represented than they could be through the medium of the Government. They are in direct contact with every railroad company through their numerous agencies. There is every disposition on the part of railroad managers to meet every reasonable claim of the shippers and to do everything to foster trade and commerce, because it is to their interest to do so. I speak from my own experience and extensive observation. I do not maintain that there are not just causes for complaints. Can it be expected to establish tariffs for 125,000 miles of railroad satisfactorily to every shipper, considering that the interests of these shippers are so conflicting that what is satisfactory to one is necessarily the reverse to others. All cannot be pleased. But you must look over the whole field, and you will find practical proof that my assertion is well founded. Only look upon the immense development of the commerce of this country through the railroad system. It cannot be maintained that such results could have been obtained if tariffs were unreasonable, oppressive, and extortionate. For further evidence I sug-



gest that you examine, in detail, the present tariff or the tariffs of past years. I will submit them to you. You will find no fault with these tariffs. They have been, upon the whole, satisfactory to the public. I do not think they could be improved by Government control, because they are controlled by so many other considerations, over which neither the railroads nor the Government have any control. These tariffs have practically built themselves up in accordance with the natural laws of trade and commerce. No statute laws can regulate them, and it would not seem to me to be right to vest the authority in any Government to absolutely control transportation tariffs at its discretion. The difficulties from which spring the evils of the transportation business do not arise so much from the absence of well-adjusted tariffs, but from the fact that those tariffs are not strictly enforced and maintained.

#### FEATURES OF CONGRESSIONAL LEGISLATION.

The CHAIRMAN. You say that you cannot hold these railroads to any particular tariff?

Mr. FINK. Yes; that is the great difficulty.

The CHAIRMAN. And with all the pools and all the appliances and all the information that can be brought to bear without a law, you cannot prevent these troubles. Now, the thing I want to get your views upon is, what specific kind of legislation is necessary by Congress in order to cure the evils that you admit yourself exist.

Mr. FINK. To suggest the specific legislation by Congress required to cure existing evils of railroad management makes it necessary to again call your attention to the specific causes of those evils. I do not think there is any necessity for passing laws to prevent extortionate charges by railroad companies. If any extortionate charges are made by any one railroad company, the laws of the country are quite sufficient to protect the public. The great evil of the present system of railroad management is unjust discrimination, and that may result from two causes requiring separate measures for its remedy. A single railroad company may make charges that are unjust, and if that be the case there should be no difficulty, under present laws, in punishing the offender. There is, however, great room for improvement in the administration of the law, in its prompt and efficient execution. The only objection I have ever heard why the common law is not sufficient to protect the public is not an objection to the law, but is an objection to the administration of the law. In many cases where small amounts are involved which do not justify legal proceedings against the company, the aggrieved parties are prevented from prosecuting their claims. Now, if it is recognized, as I believe it generally is, that the difficulty lies in the administration of the law, the remedy is to improve that administration. The only remedy I can suggest, looking to a prompt and efficient execution of the common law, is the establishment of special courts, of which at least one judge should be an expert in the transportation business, to establish courts for the trial of land transportation cases in the same manner as there are now special courts for the trial of admiralty cases. The establishment of such courts would, of course, require some time; but if they are once established, I am sure that in the course of time a code of laws would be developed under which all such transportation cases could be promptly adjudicated. I think the establishment of such courts is a necessity of the times, arising from the great interests involved. Ordinary courts are not properly constituted for that purpose, and the time required for the adjudication

of claims is so long and the expenses so great as to defeat the very object for which proceedings are instituted.

In order to further aid the public in obtaining redress for any wrongful act committed by transportation companies, the State might, under restrictions which would prevent abuse, assume to defray the expenses of suits brought against common carriers for the violation of the common law. There may be great objections to this, and I have no doubt there are; but I merely desire to point out that it is in the improvement of the administration of the law, and not in the law itself, that you must look for the proper remedy. I am quite sure, however, that you would only have to deal with a very few cases of unjust discrimination which are traceable to the willful wrong-doing of individual railroad companies. The great majority of cases are the direct result of the uncontrolled action of a great many railroad companies, for which any one road cannot be held responsible. They arise from the fact that there have been created in this country under the laws of the several States some fifteen hundred independent railroad companies, each one having the legal right to establish such tariffs as it may see fit; and under such circumstances it must not be expected that tariffs constructed independently by so many companies should not be conflicting and unjust, considered as a whole.

Properly adjusted railroad tariffs have to be established as a unit over all or a great many of the railroads in the United States, and this can only be done jointly by the railroad companies or absolutely by the Government. I have already given my reasons why the Government cannot or ought not to establish these tariffs. So the only legislation, if any is to be had that can be effective, is to secure the establishment of tariffs by the joint action of the roads interested, so far as the tariffs of these roads are interdependent. The question is how to secure such joint action. This, of course, is more a question of administration than of legislation; and the Government can do nothing more, if anything, than to secure a proper administration. Now, looking upon the situation as it has been developed in the course of time, we find that the necessities of the case have compelled railroad companies, not only in this country but all over the world, to associate for the purpose of establishing and enforcing proper and just tariffs, the very object you have in view to secure by legislation. Now, if this is the proper thing to do, and if it is in the public interest that it should be done, as I believe it is, then what better plan can be adopted as a remedy for existing evils than that the Government should make use of these associations and make them more effective. The defect and weakness of these associations is their voluntary character. All roads are not obliged to become members of such associations, and even those that are members cannot be forced to adhere to their rules or to the decisions of impartial arbitration. Now, let the Government remove this defect. The principle upon which these associations are formed is correct and extremely simple. They are formed for the purpose of facilitating negotiations and agreements that must, necessarily, be made in regard to tariffs, and in case of disagreement to submit the question at issue to arbitration, and thus avoid dissension and warfare. I can only suggest, as the proper and only remedy for existing evils, that these organizations should be made obligatory upon all roads, and that the rules and regulations established by them under an agreed or prescribed method of procedure should be legally enforced. This is the only thing that can be done, if anything is to be done at all. Upon this latter point I am not quite sure. It may be possible that the railroad companies will

finally succeed in doing that which they agree to do, and which they consider necessary and proper to do, without Government aid. The plan suggested may seem a roundabout way to secure the objects sought to be attained by legislation; but I think it is the shortest way to the end.

The CHAIRMAN. Suppose the roads do not organize—can you make a dozen railroads come together and organize for any such purpose?

Mr. FINK. The roads come together now, without any force, except the force of necessity. That force will always bring them together, must bring them together. They recognize that it is the proper way to do, that it is to their own interest and to the public interest. But we must also recognize that human nature is not perfect. Some force must necessarily be applied to hold society together and to protect those who are honest against the action of those who want to take advantage of the good faith of others. The more complicated the object of these associations, the greater the number of members, the more difficult it is to hold them together by the mere force of intellect and honesty of individual members. But I do not recommend, at present, any compulsory measures for forcing the railroads to become members of such associations. It may be possible that by degrees they may learn to govern themselves. The only measure that I would recommend at present is that when associations of railroad companies are formed for the proper and legitimate purpose of establishing and maintaining reasonable tariffs, they should be legally forced to conform to those tariffs and to the rules of the association. This would be a step in the right direction. It would not at once settle all the difficulties; but it would be a great improvement and a help to the railroad companies to properly govern themselves. If any competing road should stand out and not agree upon a joint tariff, the associated roads would, of course, have to meet the tariff made by that one road, as they do now; but they would act as a unit, and not fight each other.

The CHAIRMAN. Would you or not by law say unequivocally that every railroad should publish a tariff of rates?

Mr. FINK. It is not always possible for the railroads to publish tariffs upon all their traffic, but they can do so upon the large bulk of it, especially upon the great interstate traffic. They are actually doing this to-day, and they can continue to do so. But there are some cases, for example, when railroads directly compete with water transportation lines, where it would not be just to compel them to publish their tariffs unless the competing water line is compelled also to do so. This is hardly practicable, or if practicable, might not be desirable. Therefore, a certain discretion must be exercised, and it would not be just to pass a law unequivocally to publish their tariffs. The experience and practice of the past would, however, form a guide showing where it is practicable and where it is not. I think this question would regulate itself by the competition between the railroads. For example, the existing organizations publish tariffs covering a very large part of the interstate traffic, and they would have to continue to do so. It is one of the difficulties of this problem that you cannot establish a fixed law covering the whole ground; you unfortunately meet with so many exceptional cases in which a general law would work mischief.

The CHAIRMAN. An act of Congress could not very well say "You must publish your tariff in agreement with other roads," could it?

Mr. FINK. I am inclined to think that if the Government should find it necessary for the public good it could require all roads whose tariffs are interdependent to establish joint tariffs. It would not force any road

to make any particular tariff. The road that desires to make the lowest tariff would, of course, regulate the other roads, as is practically the case now.

The CHAIRMAN. But Congress could say that every road should publish its tariff of freight and passenger charges?

Mr. FINK. Yes; I think as a general rule, and if such a law was passed it would indirectly force the roads to agree upon tariffs.

Senator HARRIS. That tariff, when made and published——

Mr. FINK. And approved by the Government——

Senator HARRIS. When made and approved by such tribunal as the Government may create for that purpose shall be an official tariff?

Mr. FINK. Yes, sir.

Senator HARRIS. It shall then be a legal tariff?

Mr. FINK. Yes, sir.

Senator HARRIS. Until modified? Now, what notice of the modification would you require before it shall take effect?

Mr. FINK. We have established a rule that ten days' previous notice of an advance in the tariff should be given, but no previous notice is given of a reduction. Reductions are made at once when decided upon.

Senator HARRIS. Should not the notice be given in both cases?

Mr. FINK. No; this would not work well. If notice of a reduction were given to take effect in ten days, we would hardly have any shipments for those ten days. Shippers would wait until the ten days had passed to get the advantage of the low rate. It would disarrange business. It works better to give immediate notice.

Senator HARRIS. Would not this be possible, however improbable it might seem? The railroad company decides that it will ten days hence diminish the tariff rates on a given class of freights; for instance, grain. If that information was secretly given to a capitalist here, would not that action open the door to an immense amount of speculation?

Mr. FINK. That would be a reason why notice of reductions should be made at once when agreed upon, without previous notice.

Senator HARRIS. Still, you have decided that you will reduce the tariff?

Mr. FINK. Yes, sir; but we reduce as soon as we reach the decision.

Senator HARRIS. But suppose that you have resolved to-day in your mind that you will on the first day of next month reduce your rates, and you give to me in confidence that information privately——

Mr. FINK. This cannot be done if we give public notice of the reduction as soon as it is decided upon. This rule is rather unjust to the railroads, because whenever there is an advance we give the shipper ten days' notice, so that he can make all the shipments he may have engaged at the lower rate. We allow ten days simply for the purpose of enabling him to fulfill any contracts he has made at lower rates. But when we give notice the other way, and he has made contracts at a higher rate, we release him from the obligation to ship at the higher rates. I think our practice is entirely on the liberal side towards the shipper.

The great difficulty that we experience in establishing and maintaining tariffs is to get all the competing railroads to act together. There are always one or more that labor under the mistaken idea that they could stand outside and take advantage of the roads in the association that bind themselves to publish and maintain tariffs. It is a most short-sighted policy, as it always results in a war of rates, and unremunerative rates for all. Unfortunately, there are some short-sighted railroad managers that will repeat and repeat the same short-sighted policy, and

they are mostly responsible for all the mischief that follows. They cause losses to railroad companies of millions and millions of dollars, and prevent proper adjustment of tariffs. I would be glad if you could pass a law to get rid of them; but I suppose you cannot, and we may have to await the time when this class of short-sighted officials will be displaced by a new generation that has been educated to conduct the railroad business on broader and higher principles. I sometimes despair that we ever can accomplish anything by voluntary agreement, although this would be the proper way to do. If we cannot, and the Government cannot step in and make those necessary tariff agreements binding in the same way as it enforces all other legitimate contracts, then I do not know what is to become of the railroads of this country. I am just as anxious to formulate a law that would reach the evil as you are; but at the same time I cannot see my way clear to any law that would be effective and operate justly to all interests. I can see my way clear this far: that when railroad companies do come together and publish a tariff, they ought to be made to adhere to it; but the question is how to get them together if one or the other wishes to stay out. I do not exactly know how that can be done, but I would recommend that if any legislation is to be had at all this experiment should be tried of forcing roads to publish and maintain tariffs.

The CHAIRMAN. Then suppose your organization were retained, and there were a Government commission whose duty it should be to supervise the rates agreed upon and published by the railroads, what practical difference would it make whether one road came into the organization or not, if we had no power to force the roads that stayed outside to carry at the same rates charged by those that were in the organization?

Mr. FINK. The roads in the association would have to make their rates to conform to those of the roads outside if their rates were lower. This we do now, but the difficulty now is that the associated roads publish their tariff and desire to adhere to it, while roads outside of the association do not have to publish their tariffs and are under no obligations to adhere to any tariff, but make secret arrangements with shippers. This is the disturbing element that makes the maintenance of proper tariffs impossible. Now, if that outside road were also obliged to publish its tariff and to adhere to it under the Government law, as the associated roads would be, then it would have no advantages, and this would induce it to join the other roads and agree upon a tariff, so that a law requiring all roads to publish tariffs might have the desired effect of bringing about an agreement between all the roads, and thus secure the maintenance of tariffs. I am, therefore, in favor of forcing railroads that hold themselves out as public interstate carriers to publish and strictly maintain their tariffs. At the same time I see a great many difficulties in the way of enforcing such a general law. Congress has no control over the tariffs of roads that are exclusively located in one State. I will refer for illustration to the effect of such a law upon the relations between the New York Central and Erie Railroads. The former is located in one State and not subject to Congressional law, while the latter passes through several States and is subject to Congressional legislation. We will suppose a tariff was agreed upon between New York and Chicago, and published as the official tariff of all roads. The New York Central could readily evade the law by making a lower rate between New York and Buffalo by which the established and published through rate could be reduced without violating the law of Congress, and it could take all the business away from the Erie Railroad, which is obliged to adhere to the published tariff. The difficulty

is that you cannot control the tariff on the railroads that are located in one State. And yet these roads are potent factors in the establishment of proper tariffs on interstate traffic.

Senator HARRIS. If Federal jurisdiction can absolutely control the matter of transportation beginning in one State and ending in another without claiming absolute jurisdiction over the roads purely within a State, but having jurisdiction over the commerce that passes from one State to another, no matter how many States it passes through in reaching its destination, does not that power answer all your purposes?

Mr. FINK. It seems to me that the Government cannot reach the case I have mentioned in regard to the New York Central Railroad. For illustration, suppose a shipper goes to the New York Central road and says: "I have a certain amount of freight to ship to Buffalo, and I want a low rate on it." There being no restricting law in New York State requiring published tariffs to which the New York Central Railroad has to adhere, it may make a rate to Buffalo less than the proportion of the rate the New York Central charges to Buffalo on a Chicago shipment. That shipper ships his goods to Buffalo. The New York Central need not know where the freight is finally intended to go. When it gets to Buffalo it is reshipped by the direction of the shipper from there to Chicago, at the published rate from Buffalo to Chicago, and the sum of the two charges, from New York to Buffalo and from Buffalo to Chicago, is less than the published rate between New York and Chicago, less than Congress forces the Erie road to charge. The result would be that the New York Central under the law of Congress could take away all the business from the roads that are bound by the published tariffs, and the shipper evades by this method the payment of the established rate.

The CHAIRMAN. Making a double shipment?

Mr. FINK. Making a double shipment. And, without violating any law, he gets a reduction in the established rate, the very thing which you desire to prevent. Now, how can you deal with such a case? Those contingencies will have to be considered in framing a law that is to be effective and act justly to all interests. It is a very difficult problem to solve.

Senator HARRIS. In that case, if the consignment was sent to Buffalo and the fact was not divulged, that it was really intended for Chicago, that would be purely State commerce; that is, starting from the city of New York and going to Buffalo?

Mr. FINK. Yes, sir; but by reshipping the shipper can evade the law in regard to tariffs on interstate commerce, and make that law inoperative. He may have intended the shipment referred to for Buffalo, and afterwards concluded to ship it to Chicago. You cannot know his intention. The same difficulty arises with the Grand Trunk Railroad. The Grand Trunk Railroad is as important a factor in the maintenance of just and reasonable tariffs throughout the States as is the New York Central or the Pennsylvania Central. Yet the Grand Trunk Railroad is not under your jurisdiction. It can make any tariff it chooses between Chicago and Montreal. The rates from Chicago to Montreal affect the rates to all the seaboard cities in the United States. If the American roads are obliged to publish and maintain their tariffs, all that the Grand Trunk Railroad will have to do is to make a rate somewhat lower and secure all the business, or as much of the business as it can carry, and take it away from the American roads and the American ports. How can that difficulty be got over?

The CHAIRMAN. Some portion of the road is in the United States. Can you not reach the difficulty on that account?

Mr. FINK. I do not see how you can pass a law by which you can compel the Grand Trunk Railway to observe a through rate from Chicago to Montreal, which is a competing point and affects the rates from Chicago to New York. From Chicago the Grand Trunk runs to the Detroit River. It is an American road, subject to your laws; but when they cross the Detroit River have you any jurisdiction over that portion of the road from Detroit River to Montreal, and can the Grand Trunk not make whatever tariff it pleases? Under the proposed law they would have to publish a tariff from Chicago to Port Huron only. When the road leaves this country, they may carry freight for nothing. Can you compel them to observe the tariff in Canada? They may have conformed to it in this country. By this illustration you will see how difficult it is to require the railroads in the United States to publish and maintain tariffs, when foreign competitors are not subject to the same laws.

#### PUBLICITY OF RATES.

The CHAIRMAN. You know that on the continent of Europe and in England the railroads are required to publish their tariffs?

Mr. FINK. Yes.

Senator PLATT. They have no such difficulties with a road coming under foreign jurisdiction there, do they?

Mr. FINK. They have no road in Europe owned by the same proprietors, like the Grand Trunk, that runs through two countries. All the roads of each country stop at the boundary line. The competition there is not so fierce. The tariffs in each country are known and published. If you adopt this plan in the States, and also in Canada, that would in a measure remedy the objection, but if tariffs are to be fixed and published in the States, and the Grand Trunk is left free to make or change tariff as it pleases in Canada, it could take all the business from the American roads. In Europe, when the roads of one country come in competition with those of another—for example, in carrying grain from Hungary to Antwerp, the German roads come in competition with other grain carriers which do not pass through Germany; in that case differential rates are allowed, but only with permission of the Government. Competition in this country is carried on in a very different way, and such measures would not be practical here. The only way I can see to get over the difficulty here is to establish, to agree upon the establishment and maintenance of rates, associations of competing railroads regardless of State lines. For example, the Grand Trunk Railway should be party to such an association, when its rules could be legally enforced, acting upon the whole of its road.

The CHAIRMAN. I suppose that we can come about as near to enforcing a tariff rate outside of it as you do with it. They could leave the association and abandon the tariff if they chose to do so.

Mr. FINK. They would be bound by any agreement they make in the United States the same as the roads in the United States.

The CHAIRMAN. Suppose they say "It is to our interest to keep out of this."

Mr. FINK. But I rely upon the fact that it is to their interest as well as to the interest of all the railroads. The Grand Trunk is a member of the joint executive committee, and its officers do now co-operate with the American roads and hold themselves bound by the rules of the committee. By the plan proposed State lines are obliterated by the

consent of all the roads, and that is the only way, in this country, to get over the difficulty which now makes it impossible for the Government to control the tariffs.

#### NECESSITY OF ROADS ASSOCIATING.

Senator HARRIS. Assuming that we have no power, as, for one, I do not think we have, to compel independent corporations, any more than we have to compel individuals engaged in the various vocations of life, to combine or associate, then what is the remedy for the evil that we all recognize as existing?

Mr. FINK. In that case you would have to rely upon the fact that the necessities of the roads will compel them to act through these associations. It is very possible that they will petition you to aid them by legalizing these associations. If the railroads cannot control their business by voluntary agreements they will have to ask for that aid. The English roads petitioned Parliament for the incorporation of their clearing-house committee, through which at present the railroad managers of England establish their tariffs and do the work that is done by our associations here. This clearing-house committee was formed by only a few roads at first. There is no compulsion upon any road to join it. And yet, in the course of a short time all the railroads in the country, or nearly all of them, became members of the clearing-house.

Therefore, I do not think that the necessity will arise for forcing the railroad companies to become parties to associations which have in view the establishment and enforcement of proper tariffs; but I am inclined to think that if it should be shown finally that proper tariffs cannot be established and maintained except through co-operation by means of these associations, the Government would have a perfect right to prescribe to the railroads an organization under which they should conduct their business, in their own and in the public interest, the same as the Government has a right to prescribe the law or charter under which citizens shall manage the business of their city so as to secure peace and order and protect the property of individuals. I think this is not only the right, but it seems to me it is the absolute duty of the Government which it could and should exercise as between a number of railroad companies, when necessary in the public interest. The governments of some of the States have gone a great deal further, and I think unnecessarily so. They claim the right to absolutely control railroad tariffs through a commission. This is the case in Illinois and in Georgia. These extreme and I think unjust measures were taken under the influence of public indignation against railroad management, for which the companies themselves were not so much responsible as the system under which these roads were created. The measures which I propose, namely: to organize a number of railroad companies into a government of their own business in such manner as public interest may require, prescribing the methods by which they shall conduct their business, without prescribing the particular measures, is certainly more in accordance with right and justice and with the institutions of this country than the measures which have been adopted in some States for the control of the railroads. But, as I said before, I do not think that even such measures need be taken. The railroad companies may solve the problem by their own efforts without Government aid. But if they do not then the first measure I would propose would be to legalize associations that may be formed, to which the railroads may become parties, voluntarily, not by force.



## EXTENT OF LEGISLATION.

Senator PLATT. Is that as far as you would go with legislation?

Mr. FINK. Yes; I propose, however, to have all such agreed tariffs submitted to the Government before calling on it to enforce them.

Senator HARRIS. I suppose "submit to us" means for our approval?

Mr. FINK. Approval, yes.

Senator HARRIS. Suppose we disapprove?

Mr. FINK. I do not think that case would arise, for reasons which I have stated.

Senator HARRIS. But, disapproving, are we to leave you without a tariff, or compel you to make another tariff, and to continue to make tariffs until we have agreed?

Mr. FINK. I suppose the ultimate result would be that the Government should have only advisory power, and I feel sure that this would be quite sufficient to establish satisfactory tariffs. Of course it need not enforce any tariff of which it does not approve.

Senator PLATT. Your opinion is that that is about the extent to which legislation can wisely and safely go at the present time?

Mr. FINK. If any legislation at all is to be had, I think that is the only way in which you can deal with the question. It is not a solution of the problem, but it is a step in that direction, so far as the establishment of interstate tariffs is concerned. There must be some authority to establish proper tariffs. It would not be just for Congress to make the tariffs, even if it were at all practicable.

The CHAIRMAN. I do not think it is practicable.

Mr. FINK. It is not practicable. Then who is to make the tariff? The railroads are the proper parties to make the tariffs. The Government has the right to supervise them, and if its supervision is only advisory for the present, you will have no fault to find with the tariffs. The difficulty will be to enforce them.

Senator HARRIS. Am I right in assuming that your opinion is that legislation can be safely adopted only to the extent of requiring railroad companies to make and publish tariffs, or to make and submit tariffs to a tribunal to be created by the Federal Government, and, when approved, to be published and legalized?

Mr. FINK. Yes; I think so far you can go. I have mentioned some of the difficulties you will meet in even going so far. There must be certain discretion exercised as to the tariffs that can or cannot be published. I can see that there is some practical difficulty in properly defining these cases.

Senator HARRIS. The only elasticity that I can see under that plan would be the power to modify or change tariffs upon such notice, as may be required or may be agreed upon as wise and proper provisions. Then, if so made and legalized, I do not see any difficulty about enforcement.

Mr. FINK. There is still great difficulty to enforce the tariffs.

Senator HARRIS. When you have legalized it, any one railroad, for instance, may complain, and may proceed by mandamus or by suit for damages, and compel any railroad company failing to observe the tariff so made to conform to it?

Mr. FINK. Yes; I think this would be a step in advance, although I fear it would be too slow a process to do any good. More effective methods have been adopted by the associations of railroads; and if they were legal institutions, empowered to enforce their rules, I have not the least doubt that they could maintain the established tariffs. There have been long periods during which the tariffs have been maintained even

by these voluntary associations. But if any one of the roads does not choose to comply with the rules and regulations of the association, there is at present no remedy. But if legal sanction could be given to the practical measures which the railroad companies have already adopted, then the tariffs could no doubt be enforced. Unfortunately, there is a greater tendency to forbid those measures than to aid the railroads in carrying them into effect; but I hope the investigations of your committee will result in a correction of the erroneous views that now are held in relation to this subject, and will bring out the fact that railroad companies are endeavoring by all means in their power to accomplish by their voluntary efforts the very object which you desire to accomplish through legislation. They have in this way made a great advance and improvement during the last few years. You can hardly conceive what would be the state of the transportation business without these efforts on the part of the railroads.

Senator PLATT. Having got the tariff, would a pooling arrangement be necessary?

Mr. FINK. No, it would not be necessary, if you could strictly enforce the tariff by law; but it would be a great aid in enforcing the law. The only object of the pooling agreement is to enforce the agreed and published tariffs. They have nothing to do with making the tariffs. Tariffs are established entirely without reference to pools. I have explained that they are regulated by other considerations; but once being established, the pooling system is adopted to maintain such agreed tariffs, and it is a more efficient method than any legislation that you can possibly devise, because it strikes at once at the very root of the evil by removing the motive for violating the published tariffs, the motive for paying rebates and making secret concessions to shippers. The pooling agreements are intended to prevent the fights between railroad companies, which render it impossible to maintain proper tariffs. The railroad companies are common carriers, and they have public duties to perform, and have to deal impartially and justly with all shippers; they cannot do this if they fight each other. They cannot or ought not to engage in these fights, by which they necessarily violate the principles of the common law and their duties as common carriers.

#### POOLING ARRANGEMENTS.

By the pooling agreements the question of how much each road shall carry is determined by mutual agreement, or arbitration, making the fighting unnecessary. Each road agrees to be satisfied with such portion of the traffic as it would likely secure if it were to engage in a free fight, or whatever it may be entitled to according to its location, its connections, and the facilities it affords the public. When it is ascertained as nearly as may be possible what proportion each competing line would be entitled to, then each road restricts itself to carry no more than this proportion. Thus the interests of all the roads are fully protected, and there is no longer any motive for making secret arrangements with shippers, and thus fluctuating rates and unjust discriminations are prevented and a proper adjustment of tariffs throughout the country can be maintained. The general impression is that pooling was invented for the purpose of exacting unreasonable and extortionate rates from the public. If that were its object, or if that should be its effect, it certainly ought to be prohibited. But when its object and effect is to aid in carrying out the common law, and to maintain reasonable and proper tariffs—reasonable to the shipper and reasonable to the

railroads, then it seems to me the method is a legitimate one, which, instead of being prohibited, should be legitimized, because it is the most effective and practical way of accomplishing the very object you propose to reach by legislation. Take, for example, the West Shore road, in New York. When that road was first opened for business, in January, 1884, it voluntarily became a party to the West-bound Pool. It agreed to limit itself to a certain percentage of the total business, and in this way a fight on this class of traffic has been prevented. At other times, when the Chicago and Grand Trunk Railway opened a new road into Chicago, and also the Chicago and Atlantic Railway, similar arrangements were made, and the disarrangement of all tariffs was thereby avoided. Unfortunately, no agreement has been made between the West Shore and the other trunk lines with regard to the east-bound traffic; and that is what leads, in a great measure, to the present unfortunate state of affairs. Through these agreements there have been no unjust exactions in the tariff, but they have kept the tariff stable, and if it has not been perfectly maintained the fluctuations have been less than under an open fight.

Senator HARRIS. If the West Shore Railroad was an unnecessary railroad, and capital has unwisely been devoted to its construction, is the public under any obligation to sustain it, or make it a paying investment?

Mr. FINK. There is certainly no obligation to sustain that road and that is not the intention of the pooling agreements. Whether such a road can sustain itself is entirely a question to be determined by the circumstances of the case, not by pooling. Whatever business they get they take away from some other road. The people do not pay any more for transportation, on account of the existence of that road, than they did before. The losses are sustained by the competing roads, and not by the public, and the pooling agreements would simply have the effect of preventing such losses from being greater than they need be, and also to prevent the evils which would arise from a fight between the new and the old roads. A fight between the West Shore and its immediate competitors involves necessarily a large portion of the railroad system of the country, and renders it impossible to maintain the established tariffs. It may destroy the property of many roads which have no direct interest in such a fight. The property of the innocent parties has no protection under our present laws. The first cause of all these evils is the building of unnecessary railroads. There are no laws which can protect the public against the evils resulting from it. The present state of affairs results from the fact that the roads mostly affected by this new competition are trying to protect themselves, and in these efforts they try to destroy each other's property. No roads should be built that are not needed. But I am now dealing with an accomplished fact. The West Shore Railway is built; it will necessarily take a certain amount of traffic, and the problem is, how can such a road be made the least harmful to the public interests and the railroad interests of the country? This is a subject that I would like to submit for your consideration, as it has a most important bearing upon the question you deal with, viz: What legislation is necessary to prevent the evils of railroad transportation? These evils have their cause in just such transactions.

The CHAIRMAN. By "innocent parties" you do not mean the investors in that company?

Mr. FINK. The investors in that road may rather be considered the guilty parties, but the investors in other roads, whose property is being destroyed, and the public also, who suffer from the disturbance of the tariffs, are the innocent parties.

## PROTECTION OF INNOCENT PARTIES.

Now, these peculiar relations between railroads which have grown up under the expansion of our railroad system deserve some consideration at your hands. I will ask this question: If a man has a house and desires to get the insurance on it, or if, for any other reason, he thinks it may be to his own selfish interest to destroy it, is he allowed to set it on fire and burn up the whole city? Is not the law bound to step in and protect innocent parties, and are there not now laws which do protect innocent parties in cases of this kind?

The difficulty is that we have to deal with so many railroads, each one of which, for a selfish purpose, without regard to the public interest or to the interests of other railroad companies, has it in its power to inflict immense losses upon innocent parties. How can you prevent it? That is the problem to be solved.

## RAILROAD CONSTRUCTION.

The CHAIRMAN. What would you think about the question of controlling the building of railroads?

Mr. FINK. There ought to be some control exercised to prevent the building of unnecessary railroads, but it would be very difficult to determine what railroads should be built and what should not be built. There is, however, one restraint that should be put upon the building of unnecessary roads, and that is to require the parties that want to build railroads to furnish the money. If parties want to build a railroad with their own money they ought to be allowed to build it; but if they merely want to swindle innocent and ignorant people out of their money, and after they get it leave them with a bankrupt railroad on their hands, that should not be allowed. There ought to be some legislation restricting the speculative railroad building. A great deal of mischief has already been done, but, of course, it is not yet too late to make an effort to prevent it in the future. I do not know that such legislation could be had by the Federal Government.

The CHAIRMAN. That would most likely have to be done by State authority.

Mr. FINK. Very likely. There should exist laws requiring that no railroad should be built except the parties proposing to build it shall furnish at least one-half the cash that is required, and that they should not be allowed to issue bonds until at least one-half of the cash has actually been expended. No stock should be issued for more than has been actually paid up.

Senator PLATT. I think you are right there. I think no bonds should be issued and no stock should be issued until at least 50 per cent. of the amount subscribed for the stock has been paid up.

Mr. FINK. Yes. This would be a proper restriction on building unnecessary railroads.

## FRAME OF A BILL.

Senator HARRIS. Would it be convenient to you to formulate, in the shape of a bill, just such legislation as in your judgment would be safe and prudent and wise to be enacted by the Federal Government in respect to interstate commerce, and under each provision to assign whatever reasons you choose for that distinctive provision of the bill?

Mr. FINK. I had proposed to prepare such a paper to put before you, although I am very free to say that when I come to the details, and

consider the practical measures to be adopted, I see many difficulties that I do not know how to overcome.

The CHAIRMAN. I asked Mr. Fink last fall if he would not write out such a bill as he thought would be safe to the people and to the interests involved in the railroads, and he said then that it was easier talked about than done; and I could not get him to do it.

Mr. FINK. It is much easier to say what legislation will not do than to suggest the proper legislation. I am clear about the general principles, but to embody these in practical legislation in such complicated transactions is very difficult, and I don't know but it may be impossible. Railroad men who object to certain crude legislation that is proposed are often reproached because they do not themselves suggest the proper legislation. There is good reason for this, which you will better appreciate when you get through with this investigation.

Senator HARRIS. I made the suggestion to Mr. Fink because I know of no man in the whole country who has more extensive and accurate information, in my opinion, upon the railroad side of this question.

Mr. FINK. And upon the other side, too; I beg pardon.

Senator HARRIS. And, necessarily, Mr. Fink has a great deal of information upon the other side.

Mr. FINK. I am looking at the other side as much as upon the railroad side.

Senator HARRIS. I should be very glad, indeed, to have you formulate such a bill.

The CHAIRMAN. I would like to hear you, Mr. Fink, on the subject of rebates.

#### POWER OF ENFORCING POOLS.

Senator PLATT. I would like to ask a question at this point, if you will permit me. Suppose a pool was authorized by law with power to enforce the arrangement either by mandamus or penalties, could it be maintained without diverting tonnage?

Mr. FINK. Oh, yes. Pools can be maintained without diverting tonnage, and it is always better that this be done. Under no circumstances should freight be diverted if it causes delay or inconvenience to the shippers. It is not so important to divert freight for the purpose of evening tonnage under a pool agreement as it is for the purpose of preventing favoritism to shippers and the rebate system. For example, suppose we had information that a certain road in the West, say the Wabash, would disregard our agreements here and make a certain concession to a favored shipper. Our agreement here to maintain the same rates to all shippers amounts to nothing while a road beyond the trunk lines is in a position to cut the rates. We have no means of reaching that road. We cannot force them to maintain the agreed and published tariff. So we divert freight that has been consigned over the Wabash Railroad when we have good reason to believe that the rate is not maintained, and send it over some other road. When it reaches its destination, the shipper finds that he has to pay the full tariff. This is a very effective measure to stop rebates. We cannot control the tariff over so many connecting roads, each of which may make concessions to shippers, without adopting this measure. It is a very simple, practical measure, more effective than all the laws you can pass. It is also very inexpensive, compared with the cost of lawsuits. It prevents the commission of the wrongful act. There need be no punishment or fine. But, of course, the shippers that make these special contracts are very much opposed to diverting such freight. We do not propose, however,

to put the shippers to any inconvenience. When complaints are made, we either settle any damage that may have been done, or we discontinue the diversion of freight to a road that cannot give the same service as the road by which the freight was originally consigned. After the West Shore road came into the New York pool on the 1st of January, 1884, we diverted some shipments to that road in February and March. Complaints were made of delays on such shipments. The road was new and unable to give the same service as the older roads; and the diversion of freight to that road was discontinued. Later in the year, in October last, the officers of that road reported that they were then in a position to do business promptly, and that they would like to get their share of tonnage again. So we made another attempt to divert shipments to them, and, I am sorry to say, with the same result. I believe as many as thirty-five complaints of delay were made. As soon as we heard of it, we again stopped the diversion of freight to that road. We do not want to make these diversions when there is any delay or any inconvenience to the shippers. But I think we have the right, under the peculiar conditions in which we transact this business, to send it by any road we please, provided it offers the same facilities. We issue a through bill of lading on such freight; we act as forwarders, and relieve the shippers from great responsibilities, expense, and trouble without compensation for these services, advantages which are much greater than any disadvantages which may arise from diversion. We certainly ought to be allowed, under those circumstances, to select our partners in the forwarding business.

Senator PLATT. But you are not partners. Suppose I go to the New York Central and contract with that road to carry some goods for me to Chicago. I am to pay the freight when they get there. Can you take that freight and send it over the West Shore road, or some other road, to Chicago, and collect the freight from me there? It is not the contract I made.

Mr. FINK. The New York Central does not make any such contract with you. The New York Central only makes a contract to carry your freight to Buffalo, and then you can carry it from there in any way you may choose. But when they do make a contract with you to carry freight to Chicago, beyond the line of their road, they ought to have the right to select the road by which they will send it, the right to select their partners in the forwarding business.

Senator PLATT. Unless they make that special contract?

Mr. FINK. They do. The conditions are specially mentioned in the bill of lading.

#### SELECTION OF LINES BY SHIPPERS.

The CHAIRMAN. So far as we have heard, gentlemen, by writing or otherwise, a pretty large number of them—you can say nine out of ten—have advocated the policy of incorporating a provision in the law giving the right to the shipper to designate the lines of road over which his goods shall be sent. What do you think about that?

Mr. FINK. If such a law was passed it might lead to a great deal of trouble to the shippers, as it might break up the system of through billing. The general practice of railroads is to ship goods as directed. The exceptions are very few. In many cases the initial road which receives the freight and issues a through bill of lading is not in a position to direct the freight beyond its immediate connecting road. For example, if goods are billed from New York to Kansas City, the roads west of Chicago take the liberty of selecting the route by which it shall go

from Chicago to Kansas City. The New York roads have no power to direct it beyond Chicago. If that should be demanded by law, they would simply refuse to give a bill of lading to Kansas City, and would probably bill the freight only to Chicago, and the shipper could select his own route beyond Chicago. The Merchants' Despatch Transportation Company, by which line Mr. King makes a great many of his shipments, sends freight over half a dozen different routes of its own selection. The shippers, generally, do not care by what route their freight is shipped, so long as their shipments are promptly and safely made. They do, however, care a great deal about the route over which their shipments go if they have made a special contract for reduced rates over such a route, and when the freight is diverted from that route they are obliged to pay the full published tariff. It is chiefly from this cause that shippers are so much opposed to the diversion of freight, and that a demand is made for a law prohibiting it. But it will occur to you that as there can be no compulsion by law to force the railroads to issue through bills of lading beyond the line of their own road, as that is simply a voluntary act undertaken for the accommodation of shippers and without compensation, there can be no law prescribing conditions that the railroads are not willing to accept. If a law should be passed making these conditions onerous or impossible to be complied with, then the railroads would have simply to cease acting as forwarders, and stop the system of through billing. In that case what would be the use of a law prescribing the rules under which through billing shall be done. I apprehend that if such a law were passed it might result in a good deal of trouble to the shippers.

I do not think there is any need of such a law, as the difficulties complained of are more imaginary than real. The chief cause of these complaints is that the diversion of freight compels the maintenance of tariffs and breaks up the system of secret rates and rebates. The end to be accomplished would even justify occasional inconvenience to shippers. But I have already stated that under no circumstances do the railroad companies desire to divert freight unless it can be done without inconvenience to the shipper. The difficulties of diverting freight under a pool may, however, be overcome in another way. The railroads can charge more for freight which the shipper insists must be shipped as he directs, or make some reduction to the shipper who is willing to leave the direction of the freight to the railroad companies. Such difference in charges between the higher and lower rate is to compensate a shipper for any disadvantage that the diversion might cause. This would be a legitimate contract to make with the shippers, and ought to satisfy the parties who are opposed to diversion.

#### REBATES AND DRAWBACKS.

The CHAIRMAN. What do you think about incorporating a provision in any law that may be passed prohibiting rebates and drawbacks?

Mr. FINK. I do not think such a law, simply forbidding rebates and drawbacks, could be effectively enforced, although it would, no doubt, do some good, in that it would declare rebates to be unlawful. A distinction must, however, be made between rebates paid to evade the established or published tariffs and rebates which are perfectly legitimate.

The CHAIRMAN. They may be for the purpose of correcting errors.

Mr. FINK. Yes; or they may be in the nature of making concessions from the published tariff.

The CHAIRMAN. If rebates are paid merely for the purpose of reducing the tariff, and have the effect of unjust discrimination they ought to be forbidden.

Mr. FINK. They ought to be forbidden; but when rebates or drawbacks are made on account of errors in the tariff, or in the classification, or in the weight, and a great many have to be made, you could not forbid those. You will find it almost impossible, however, from the very nature of these transactions, to prevent by law the payment of rebates when given for the purpose of making concessions to the shippers. A reduction in the tariff can be made in a thousand different forms; it may be made through reductions in the weight, charging for less than the actual weight, or by a donation to a shipper. If he ships by a line for a year, and he has been a very good customer, the company can make him a Christmas gift. And so the law may be evaded in thousands of ways. It is almost impossible to discover these evasions, and you cannot punish them before you discover them. The practical methods adopted by the railroads to which I have referred, are much more effective. They remove the motive for the evasion of the law, and I do not think that you can enforce a law without their aid.

The CHAIRMAN. In the discussions in the Senate, and in the House also, the statement was oft repeated that the Standard Oil Company had got rebates to the amount of about \$10,000,000, I think it was, in a brief period of time. That must have been a pretty lively operation, it seems to me, if such is the fact.

Mr. FINK. Here you have the best illustration that could be given of the necessity of pools. In this case the railroads were used by the Standard Oil Company, one against the other, to make private concessions. Each road desired to secure the business of the Standard Oil Company by underbidding the other. If the competing roads had come together and agreed upon a fixed tariff and divided the traffic, say one-third of the shipments to go by each road, in other words if they had made a pool and insisted upon the full tariff, then the motive for making these concessions would have been removed, and the railroad companies would have received full pay for the work they did, and other shippers would have paid no more than the Standard Oil Company. The Standard Oil Company might then not have existed in its present magnitude, and unjust discrimination would have been avoided. Competition of this sort between the railroads, each road underbidding the other to secure large shipments, builds up monopolies in trade. That is the case not only in the oil business, but also in the live-stock and grain business, where large shippers manage to get rebates and crowd out the small shippers. Pools instead of destroying competition prevent monopoly in trade by preventing unjust discrimination between large and small shippers.

#### WATERING OF STOCK.

The CHAIRMAN. You have stated pretty frequently, as I remember, in your printed documents before committees your views of the effect of watering the stocks of roads upon transportation by rail.

Mr. FINK. Yes.

The CHAIRMAN. So that it will not be worth while to ask you any thing further on that question, perhaps.

#### WATER ROUTES.

Senator GORMAN. Have you ever stated what effect the improvement of the Mississippi River may have on east and west bound freights?



Mr. FINK. The Mississippi River is an important regulator of railroad transportation rates, although at this time its influence is not felt so much, especially on grain rates, because rates by rail and by canal are so extremely low.

Senator GORMAN. Are not the principal regulators the Erie Canal and the Canada water-ways?

Mr. FINK. At present we do not even feel these, although under ordinary circumstances the lake, the Erie Canal, and Mississippi River are the great regulators of railroad transportation charges. At present, the rail rates are as low or lower than the rates ordinarily are by the water routes.

The CHAIRMAN. I think you stated that the Mississippi River and the lakes and canals really did regulate the question of transportation to a very large degree?

Mr. FINK. They do.

#### UNIFORMITY OF ACCOUNTS.

The CHAIRMAN. Allow me to ask one or two other questions. One of the inquiries that we make is as to whether it would be important to require railroads to keep a uniform set of books or accounts. What is your judgment about that, from your experience in dealing with railroads? Can that be done or not, consistently, or is it of any great importance to anybody that it should be done?

Mr. FINK. It would be difficult to require all the railroads to keep uniform accounts, and I do not think it would be necessary. If they furnish you the information which you desire, and which may be useful to you, no other should be asked. Then it would not make any particular difference by what special method of account-keeping they arrive at it. Every company has its own system of keeping accounts which has been the outgrowth of years. The officers are accustomed to it, and I think it would be impracticable to make any changes. Any information that may be useful to the Government, of course, can be furnished without interfering with the method by which it is obtained.

The CHAIRMAN. What would you think of this. Suppose that Congress should pass a law creating some sort of tribunal for the control of railroads; how would it do to leave that question in the hands of that tribunal to determine as they thought best?

Mr. FINK. I think that would be the proper way to do.

#### POWERS OF A NATIONAL COMMISSION.

The CHAIRMAN. What do you think of the question of whether we ought to have a commission or not, and, if so, what power it ought to possess?

Mr. FINK. I am in favor of having a competent commission appointed for the purpose of collecting information, in order to help to a proper understanding of this intricate subject, such commission to be empowered to receive complaints and to investigate the same; and to act as a mediator and counselor between the railroads and the public. Much good can be done by a competent commission, not only in bringing about a proper understanding between the railroads and shippers, but in actually remedying a great many causes of complaint. The more impartial, intelligent, and skilled in the practical transportation business the members of such a commission are the more useful will be their work. They ought to be superior in knowledge to the average railroad mana-

ger, to be able to advise him and to influence him by this very superiority. A commission consisting of members who are not practically acquainted with the transportation business, who have to learn everything after they get into office, and who have to go out of office as soon as they have learned anything, cannot be expected to do much good. They may do a great deal of harm, and may simply become a nuisance both to the people and to the shippers. There are, therefore, two sides to the commission question. The selection of commissioners should be made under the civil service rule, and they should show that they are masters of the business which they are expected to control. Under such circumstances I am very much in favor of a commission. Under the others I have named, I am very much opposed to it.

The CHAIRMAN. It has been alleged that whatever commission is created ought to be clothed with judicial power to try cases and decide them.

Senator HARRIS. And have the power to enforce its decrees.

The CHAIRMAN. What do you think of that?

Mr. FINK. Judicial power should not be vested in a commission without first establishing more specific laws under which it can act. Such commission must not be allowed to first make the law, and then, without any knowledge on the part of those who are to comply with it, decide the law and execute it. Commissions, or courts, or any body of men, who are at the same time law-makers, judges, and sheriffs, are not to be tolerated in a free country. Under any circumstances I am very much opposed to that kind of legislation. Unfortunately some of the States have already created such bodies, who practically have the law-making power and the judicial power. I hope they will be abolished at an early day. I would therefore not like to see the United States Congress constitute similar bodies.

The CHAIRMAN. But the question is based on the supposition that Congress passes a law for the control of interstate commerce, and provides a special tribunal. It is argued by Mr. Sterne very strongly to-day that that special tribunal should be a court, if you please, with power to decide railroad cases and enforce its decisions.

Mr. FINK. Unfortunately Congress can pass no definite laws under which the railroad property can be managed; in the absence of a well-defined law, and the commissioners making their own laws, no judicial power should be given to them. For example, the bills which passed the House and the Senate last session are of a very general character, impossible, I think, to enforce. They provide that there shall be no more unjust discrimination, without defining what constitutes unjust discrimination, except in one or two cases. In the majority of cases railroad officers would not know what unjust discrimination is, and they might violate the law without intending to do so or knowing that they did, and afterwards the commission would, as a matter of opinion or private judgment, decide that they had committed an act of unjust discrimination, thus first making the law and then adjudicate under it. Before judicial power is given to any tribunal to enforce the laws, the laws which are to be executed must be more strictly defined, so that we can know beforehand what is lawful and what is not.

The CHAIRMAN. Of course, if we create a special tribunal and authorize it to sit in railroad cases, it could not fine anybody or assess any damages against anybody unless there was a law authorizing it to do so—for extorting from a shipper or for discrimination between one shipper and another. The question I was anxious to get you to answer was whether we ought to have a commission or a special tribunal, and

whether, in your judgment, that tribunal ought to be appointed as a judge is appointed, and sit as a judge for that special purpose, and whether it should decide cases and then enforce its decisions.

Mr. FINK. Yes, if I understand you correctly. I am in favor of establishing special tribunals to try railroad cases, but they must be purely judicial tribunals and must act under well-defined laws.

The CHAIRMAN. But suppose we pass now all the laws you want in reference to making tariffs, and so on. There is a possibility that somebody is going to violate them, and that somebody is going to suffer from that violation.

Mr. FINK. Yes.

The CHAIRMAN. We want to enforce that law and protect the people?

Mr. FINK. When you succeed in establishing clearly defined laws, then I am in favor of establishing a tribunal to which judicial powers are given to decide under these laws.

Senator HARRIS. Did I understand you to say that you consent to formulate such legislation as you, upon due reflection, think advisable?

Mr. FINK. I will try; but I cannot formulate anything that would be satisfactory to myself. I might suggest the principles upon which legislation should be based; I do not see my way clear to any definite legislation.

The CHAIRMAN. We shall be very glad to have all the light you can give us, in whatever shape you see proper to put it; it may help us, perhaps, to formulate something when we get through with the investigation.

#### RAILROAD COMPANIES' ASSOCIATIONS.

Mr. FINK. Before your committee adjourns, I would like to have an opportunity, it being now too late, to explain to you the practical operations of the joint executive committee, which association has been created for the same purpose which you desire now to accomplish through legislation; it would, therefore, be of interest to you to understand its practical operation, to see what is necessary to be done to accomplish its purpose, believing, as I do, that in no other way than by the methods there followed can you obtain the end which you have in view. My idea is that you should make use of such associations, and make them legal and obligatory at least, if necessary to have the members transact their business with each other and the public upon sound business principles, and to avoid the fights and dissensions between these public servants which disables them from properly performing their public duties as common carriers. The joint executive committee has published six volumes of their proceedings, copies of which I will furnish you, and in which every detail of their transactions is recorded, and from which will appear the nature of those transactions and their necessity. You will also find there a record of the struggles which the committee has made to carry out its object by voluntary agreements; and I think that if you will look over the past operations of the joint executive committee you will be strongly impressed with the amount of good that has been already accomplished, and how much more might be accomplished if some power were given to the committee to legally enforce the agreements made between its members.

The CHAIRMAN. How long would it take you to explain this?

Mr. FINK. I cannot tell.

The CHAIRMAN. Could you come back to-morrow morning?

Mr. FINK. If you say so, I shall be at your service.

The CHAIRMAN. Mr. Blanchard, I believe, is to come before us at 10 o'clock.

Mr. FINK. Do not let me interfere with any other engagements. I am willing to wait until you get through with all others, but I am exceedingly anxious that your committee should at least understand this railroad question from my standpoint, and at least not misunderstand me. I do not ask for any legislation at all at this time, because I am fully convinced that the kind of legislation that is required cannot be secured on account of the adverse sentiment of public opinion. Congress cannot legislate in advance of public sentiment, and public sentiment is not yet educated to understand the subject thoroughly and properly. Although I believe great progress is being made, and your committee will do a great deal of good in that respect, I do not recommend, at present, any legislation further than may be necessary to get proper information on which to base future legislation. I do not even ask you to legalize the associations through which the railroads desire to carry out the object of the proposed laws; nor do I ask you to legalize pools, although it is my conviction that these are the only proper means which can be adopted for dealing with the railroad problem in this country. It may be a great deal better to wait and see whether the railroad companies cannot deal with these questions without the aid of legislation, and only resort to it when it is fully established that they cannot. It is a great deal better to leave these matters in their present shape and let the roads fight it out as best they can for a little while longer. It is a very expensive way of learning, but after the lesson is once learned, the institution will, perhaps, be more permanent than if based upon laws which are in advance of the intelligence and understanding of the people and, I may say, of the railroad men themselves. We are now passing through a period in which the lesson is being taught that it is not a profitable undertaking to build unnecessary roads. If the Government had provided some safeguards in this respect, it would not now be necessary to pass through this expensive experience.

The CHAIRMAN. We shall be glad to have you come back on Saturday afternoon.

Mr. Fink was prevented from appearing before the committee again, and was requested to communicate in writing such additional information as he might desire to lay before the committee.

#### STATEMENT OF WILLIAM F. KING.

WILLIAM F. KING (of Calhoun, Robbins & Co.), New York, appeared.

Senator PLATT. We understand that you do not believe very much in the pooling system.

Mr. KING. I do not.

Senator PLATT. For one, I would like to hear what you have to say about it.

#### POOLING ARRANGEMENTS.

Mr. KING. The experience of the New York merchants during the last few years is that the pooling system has been a curse instead of a benefit. In the first place, it has encouraged the building of new and unnecessary railroads. Speculators, pointing to the large earnings of the old dividend-paying corporations like the New York Central Railroad, whose stock was selling a short time ago at \$150 per share, and

paying 8 per cent., and the Lake Shore, whose stock was selling at \$140 and also paying 8 per cent., and the Pennsylvania Railroad, have held up these instances of success as warranting the building of other roads, and have thus been able to beguile the public and float an enormous quantity of securities, as in the case of the Nickle Plate and West Shore schemes. Not only have deluded investors lost immense sums in these so-called securities, but confidence has been seriously shaken in the older properties. In the second place, the pooling system, in actual practice, is a direct outrage upon the mercantile community. A pool never has been and never can be maintained on the money basis. Mr. Fink, in his statement before the railroad commissioners of the State of New York, said they could not form a money pool; that the only way was to divert freight, which, as can easily be shown from the history of freight diversions in New York, involves such injury to the trade of the city by reason of uncertainty in delivery of goods to consignees in the West as to condemn the system of which it is confessedly an essential feature. If each road stood on its own merits, giving quick transportation and quick delivery of merchandise to the West, and prompt facilities in every way, there would be no cause of complaint, and a survival of the fittest would be the result. These gentlemen, or wreckers, overbuild railroads for selfish motives and no public interests, stock and bond them considerably over the amount of their actual cost, and then try to pay dividends on more than the actual capital invested, until they have disposed of all securities under false pretenses. This should not be allowed at the expense of the public. As I understand it, it costs only 15 cents a hundred pounds to take freight from New York to Chicago; yet, according to the pool rate of 1884, they received 75 cents for first class, which was a very handsome return. In order to maintain these rates, and to give the poorer lines freight to carry, freight had to be diverted to them. In his statement made before the commissioners, Mr. Fink conceded that the West Shore had a cut rate 33½ per cent. below the schedule rate. The Lackawanna also has made special rates; the Erie has made special rates; still they were beggars for freight. Almost every month of last year we had merchandise that took from ten to twenty-seven days to go from New York to Pittsburgh, and from four to six weeks to the West. Goods were carried 300 to 400 miles out of their natural channels. Mr. Fink makes the statement that there were only a few cases of complaints, but you will see that I had in one house sixty cases of goods to Pittsburgh that were diverted from the Star Union Line, the Pennsylvania Railroad, to the Delaware, Lackawanna and Western, causing a delay of ten to twenty-seven days. If we had no pool it would be an incentive to railroad companies throughout the land to give a better service in every way, and we should have the benefits resulting from competition between them. That would not only build up the property, but they would have proper men managing the property. Now-a-days it is fashionable for the directors of corporations to be speculators in Wall street. If they have unloaded on the stock market all the stock they have they must create a railroad war in order to depreciate the value of the property; and when they have accomplished their purpose, the rates are maintained again. We have here a great many speculators who parallel roads in order to ruin good properties or compel older roads to buy at an artificial price, as in the case of the Nickle Plate; or they form a trunk line in some way; nobody knows how they do it; but half a dozen single lines are combined, and they make a continuous trunk line to the West in some roundabout way. Then they say, "Gentlemen, we will make rates unless you take us into

the pool." In order to keep up artificial rates, the older roads have to take these roads in, and the merchant suffers in consequence by diversions of freight.

The CHAIRMAN. What means have you of knowing what it costs to transport freight from here to Chicago?

Mr. KING. Mr. Fink once made a statement that it costs three-tenths of a mill per mile, which makes about 15 cents. You remember that, Mr. Fink?

Mr. FINK. Yes; but that did not pay anything but for the cost of hauling. We want something for the general expenses.

Mr. KING. You received 75 cents per hundred in 1884 for first-class freight; that was a pretty good profit; and 60 cents for second-class, 45 cents for third-class, 35 cents for fourth-class, and 25 cents for fifth-class.

Mr. FINK. We get 15 cents for some goods. We get 15 cents for sugar and coffee. There is only about 1 ton of dry goods for about 10 tons of the others.

Mr. KING. If I remember rightly you said about 38 per cent. of the freight is first-class freight.

The CHAIRMAN. We shall be glad to hear you upon any point in connection with this subject on which you feel that you would like to speak.

Mr. KING. The point which I will make now is one that we all know about. The Pennsylvania road has put a fast train on between here and Chicago. They are charging \$24 per passenger. As I understand, from the best information I can receive, the train is full every night, while the New York Central rate is \$9.50 and the Erie service is \$8.50. This goes to show that the public is willing to pay a good price for good service. Now, if we had no pool what would be the consequences? The roads would strive to give the public the best service, the quickest mode of delivery of merchandise all over the country, the best cars, the best depots, in order to obtain the public business.

Take this hotel, the Fifth Avenue, which gives the best service in New York; it is always full. Take another hotel that charges \$1 a day. A man who is willing to pay only \$1 a day will get the accommodations it can give. Now take the merchandise that we wish to send to Chicago. Some roads can put it there in three or four days, while others require two or three weeks. Under the pooling system if we desired the quicker transit for our shipments we had no assurance that we would get it. Quick service with inartificial rates that will give a proper remuneration therefor is what we need but cannot get under the pooling system.

Mr. FINK. What has the pooling system to do with it?

Mr. KING. You made a statement before the commissioners that you could not maintain a pool without diverting the freight.

Mr. FINK. No; I did not make that statement. I said that pools were maintained without it. It is only a question of which is the best.

Mr. KING. You made a statement before the commissioners that you could not maintain a pool without diverting freight, and that a money pool had never been successful. You also told me that they would not keep their agreements.

As a proof of my statement, I quote from the Railroad Commissioners' Report of New York State, Mr. Fink's words, page 13:

He called attention to the last report of this board, declaring that "rates should be open and alike to all similarly situated." He declared that in the railroad transportation of the country no means had yet been devised whereby this can be accomplished except by a system of pooling. A money pool had been found impracticable, and the

transfer of freight to the different roads had been found to be the only practical solution of the question. He claimed that the extent of these transfers had been greatly exaggerated. During the past year out of the whole 100 per cent. of the tonnage only 2½ per cent. was transferred. Out of 11,000,000 tons shipped from New York, the complaints from the whole mercantile community of the city do not cover 10,000 tons. He claimed for this insignificant sum there was no justification in attacking the pool system of transferring freight. The changes in the dry goods trade of New York City was due to other causes besides transportation.

I also quote both Mr. Depew and Mr. Fink, page 26:

That the business of the country has been and is being done by the pool is a fact which meets the board. The relief asked for by the merchant strikes at a vital point in the whole pooling system. If by legislation or otherwise the transferring of freight is forbidden, there is but one other alternative, and that is a money pool, which both Mr. Depew and Mr. Fink declare to be a failure.

Mr. FINK. No; it has never been as successful as the other.

Senator PLATT. You would admit, I suppose, that some competition was necessary? You would not want to be dependent upon one road alone for shipments to the West, for fear that road would insist upon prices too high for business?

Mr. KING. If we have honest management of railroad properties, under the management of the stockholders and bondholders of the roads, the roads would all strive for a profit. Under the present system the bondholders and stockholders have nothing to say. The directors of our corporations and the officers may be the smallest holders in the properties and they do as they please.

Senator PLATT. We have arrived at a point now where we have too many trunk lines, you think?

Mr. KING. Too many trunk lines.

Senator PLATT. The question is, What is to be done? Can the public support them all on some fair basis of cost, and what is the basis? The real problem that underlies all this is, which is the most equitable and the best way of getting out of the difficulty?

Mr. KING. We have one road here, the West Shore road, now in the hands of a receiver—

Senator PLATT. The trouble is that under existing arrangements the West Shore road may soon be sold out and pass into other hands, and be again exactly as it is now. The new owners will want to get business enough to pay interest and dividends on the stock of their road.

Mr. KING. The West Shore road, according to the statement of Mr. Depew, can issue receiver's certificates to the amount of its bonded indebtedness; so that the time is a good way off before it can be foreclosed. The organization of the West Shore road should be on a proper capitalization.

#### A NATIONAL COMMISSION.

It would be well if we had a board of national railroad commissioners with some such supervision or authority over the railroad organizations as is exercised by the national Government over the national banks. The moment a bank fails it is put under the control of the Government officials. If a national railroad commission took charge of the West Shore Company, after ascertaining that it could not maintain and pay its fixed charges, it would wind it up at once.

Senator PLATT. And then what?

Mr. KING. Sell it to the highest bidder; and in the reorganization reorganize it on the actual price paid for it. The great drawback to our railroad system is the attempt to pay interest on its enormous capitalization. Of course I am not as experienced as Mr. Fink in these

matters. But say a railroad in the West, or anywhere in the country, costs \$12,000 a mile to build. They stock it for \$25,000 a mile, and \$25,000 of bonds are issued, and they may get a railroad land grant in addition, and yet, before they have finished the road, it is bankrupt. The West Shore road cost a large amount of money, and before it was finished it was bankrupt.

If we had a national railroad commission, and an application was made to build a new road, and it was in their judgment demanded, the bonds and stock would be taken by merchants and citizens along the line of the proposed road, and not by speculators and manipulators, with no further interest than fictitious profits, and it would never get into the condition of the West Shore. Now, if capitalized for actual cost, the promoters would be individually interested. The West Shore is carrying passengers for a cent a mile, and they are running behind all the time. They ran behind \$150,000, I think it was, in December, upon their fixed charges, without paying their debts.

Mr. FINK. I was going to ask Mr. King what capital they would reorganize on, when they are losing \$600,000 a year beyond operating expenses.

Mr. KING. On the actual price it brought under foreclosure.

Senator PLATT. Do you think it would be fair to charge the public enough, including all the roads which have been built, to pay upon the basis of a capitalization limited by the price at which they were sold under foreclosure?

Mr. KING. I presume when a road is foreclosed and sold, if the road is sold to the highest bidder it sells for what it is worth.

Senator PLATT. You might have some competing road bid on it and buy it in.

Mr. KING. Yes, sir. The West Shore property to-day can be made to earn interest on its bonds. That is conceded. The river division alone will pay its expenses. It is a road necessary on the other side of the river. It is opening up and developing the country there. But when you come to running a road at an actual loss, carrying passengers for a cent a mile, and freight for 6 and 8 cents a hundred pounds, that is running it at a loss *maliciously*, and that is the reason of its running behind.

The CHAIRMAN. What is your idea of the sort of legislation needed from the Government of the United States to protect the people and serve the public interests best in connection with interstate commerce?

Mr. KING. We have what they call the trunk lines running out of New York. They are parallel roads. I should think if each road was made to stand on its own bottom it could make all the connections with connecting roads that it chose. Each road could make a through system of connections, but they should be made to publish their rates which should be kept within certain limits fixed by statute or be under the control of the commissioners.

It should also be provided that when a railroad is built it should be built under the supervision of the Government in such a way as to prevent merely stock-jobbing enterprises. When you honestly capitalize a road the profits are so great in the railroad business that large dividends can be realized. In looking over some of the statements of the railroad commissioners of this State I find that some of the railroads earn 60 and 70 per cent. on the original capital.

#### OVER-CAPITALIZATION OF RAILROADS.

Senator PLATT. You think it is better for the public interest to let the weak railroads go to the wall, and either be abandoned or be capital-



ized at a price which they will bring at auction, rather than to try to keep them up by the pooling system and by the exaction of charges which will support them all?

Mr. KING. In taking the railroads of our country and looking at the capitalization of a great many of them you will find that they are capitalized to such a large extent, so much more than the actual cost of the property, that they cannot earn dividends on the capital. But at their cost they could earn good dividends on their own local business.

Senator PLATT. That is, you think that in most instances where there are said to be too many roads now competing, if all those roads had only to earn money enough to pay interest and dividends on their cost, there would be business enough for all?

Mr. KING. Yes, sir; I think so.

The CHAIRMAN. Have you anything further to state to the committee?

Mr. KING. I have nothing further to say. The only point with me was as to the interest of the New York shippers, and as to the diversion of New York freight.

The CHAIRMAN. We came to hear all of you representative men here and in the different cities, the shippers, and merchants, and other business men of all kinds, and to get their views upon the subject.

Mr. KING. The shipment of merchandise from New York has been so unsatisfactory under the pooling system that we find it has been a detriment.

#### POOLING ARRANGEMENTS.

The CHAIRMAN. Your belief is that the pooling system has really been an injury to the merchants of New York, rather than a benefit?

Mr. KING. Yes, sir.

Senator PLATT. Do you think the shippers generally share your sentiments on this subject?

Mr. KING. I could get you a list of the signatures of our shippers in regard to the matter.

Senator PLATT. Has there been any public statement made by them?

Mr. KING. They claim under the past pooling system of our railroads that there were private rebates paid continually. A great many of our shippers make that claim.

The CHAIRMAN. You say the shippers claim that?

Mr. KING. Yes, sir; and Mr. Fink does not deny it.

Mr. FINK. You contradict yourself. The object of the pool is that no rebate should be paid. Now you say there is no pool.

Mr. KING. We have no pool now.

Mr. FINK. You say that there is no pool, and yet that it injures you very much.

Mr. KING. We have no pool now. You stopped diverting freight January 25, 1885.

Mr. FINK. I would like to know from Mr. King while he is here, what are his specific objections to the pool. In what regard does the pool hurt him? He does not seem to know exactly. He maintains that there has been no pool, and yet he maintains that the pool has hurt him.

Mr. KING. I do not understand you. I claim that there has been no pool since January 25, 1885.

The CHAIRMAN. Since January 25, 1885, there has been no pool, you say. Now, have the merchants been faring better since that than they did before?

Mr. KING. Yes, sir.

Mr. FINK. In what respect?

Mr. KING. In the delivery of merchandise throughout the country, choice of route and quick delivery. Previous to January 25, 1885, we had to pay first class rates and accept their bills of lading allowing diversions, and received second and third class facilities. The following is a quotation from bills of lading of all freight lines:

It being expressly understood and agreed that, in consideration of issuing this through bill of lading and guaranteeing a through rate, the Empire Line reserves the right to forward said goods by any railroad line between point of shipment and destination.

Mr. FINK. There has been for two periods, as I stated to the committee, some diversion of freight, which has given dissatisfaction. As soon as we knew it, we stopped it. Now, there has been apparently a pool which has worked with more or less friction—sometimes for good and sometimes less so, for seven or eight years in this city. During the whole time that this pool was in existence, the period that gave rise to the complaint covered two months of last spring and the year before and about three months in 1885, as far as the diversion of freight is concerned. That is all that we had positive complaint of, and we recognized that the complaints were proper. We removed them by stopping the diversion of first-class freight.

#### DIVERSION OF FREIGHT.

The CHAIRMAN. Mr. King, do you belong to the board of trade and transportation here?

Mr. KING. No, sir.

The CHAIRMAN. I understood that there were some nine hundred merchants and business men connected with that organization.

Mr. KING. We represented at Albany, in reference to the diversion of freight question, a capital of \$253,000,000, according to Dunn, Barlow & Co.'s statements.

Senator PLATT. Have you any printed statements that were made and signed by the shippers?

Mr. KING. Yes, sir; this is a copy of the bill and petition that was signed by the shippers:

#### DIVERSION OF FREIGHT. COPY OF MERCHANTS' BILL AND PETITION.

AN ACT to prevent common carriers, forwarders, and railroad corporations from diverting freight, contrary to the directions of the shipper.

The people of the State of New York, represented in senate and assembly, do enact as follows:

SECTION 1. It shall not be lawful for any railroad or steamship company, now organized or hereafter to be organized, or for any common carrier, transportation company, fast freight line, or any other combination or organization, under whatever name designated or however incorporated or organized, or any firm, person or persons to ship or forward goods, wares, or merchandise by any other line, route, or instrumentality than that selected and designated by the shipper.

SEC. 2. It shall not be lawful for any railroad, steamship, transportation company, fast freight line, or any other combination or organization, under whatever name designated or however incorporated or organized, or any firm, person or persons, to make in its bills of lading or shipping receipts any agreement by means of any written or printed statements contained in such shipping receipts or bills of lading, reserving unto such railroad, steamship, transportation company, fast freight line, or any other combination or organization, under whatever name designated or however incorporated or organized, or firm, person or persons, the right to forward such goods, wares, or merchandise by any railroad or steamship lines or other instrumentalities of transportation between points of shipment and destination, contrary to the direction of the shipper, and all such contracts, reservations, or agreements hereafter made and

contained in such shipping receipts or bills of lading shall be null and void and of no effect.

SEC. 3. The shipping receipt or bill of lading shall, in every case, be presumptive evidence that the goods have been received and the shipment undertaken in accordance with the directions of the shipper as in said bill of lading or shipping receipt contained.

SEC. 4. Nothing in this act contained shall interfere with such railroad, steamship, transportation company, fast freight line, or any other combination or organization, under whatever name designated or however incorporated or organized, or any firm, person or persons, in using other instrumentalities of shipment for forwarding goods, wares, or merchandise received by them, notwithstanding the directions of the shipper, to the point of destination, in the event of an untoward or unexpected stoppage of transportation facilities over the routes designated by such shippers.

SEC. 5. For every offense of diversion of freight to a route or routes other than those designated by the shipper, every corporation, joint stock association, person or persons so offending shall pay double damages to the proper party in interest, for injury caused by delay, detention, or loss arising from disregard of shippers' directions and shall forfeit a penalty of \$250, to be recovered by the people of the State of New York by an action brought in the supreme court of the State of New York in the judicial district where the shipment was accepted and received for transportation.

And it is hereby made the duty of the attorney-general of the State of New York to prosecute all actions for such penalty or penalties when advised of the violation of this act by the affidavit of any reputable citizen, or upon his own motion; and one-half of the said penalty or penalties shall be paid to the informer.

SEC. 6. It shall and may be lawful for the attorney-general of the State of New York, or for any person or persons, corporation or corporations, feeling aggrieved thereby to prevent by injunction any threatened diversion of freight which is by this act made unlawful.

SEC. 7. This act shall apply to all trustees, receivers of transportation and railway companies, steamship companies, or firms, person or persons, as well as the officers thereof, and it shall not apply to steamship companies the vessels of which ply between foreign ports and the city of New York.

SEC. 8. All acts and parts of acts inconsistent with this act are hereby repealed.

SEC. 9. This act shall take effect immediately.

[For the protection and promotion of trade. The Mercantile Agency. R. G. Dun & Co., 314 and 316 Broadway, New York. Branch City Office, 83 Wall st., and printing office, 57, 59, and 61 Park st.]

NEW YORK, *March* 10, 1885.

To whom it may concern :

We have examined the petition signed by the merchants of New York, addressed to the senate and assembly of the State of New York, in favor of the bill entitled "An act to prevent common carriers and railroad corporations from diverting freight contrary to the direction of the shipper."

We beg to certify that up to this date the names obtained represent an aggregate worth of two hundred and forty-two million seven hundred and twenty-three thousand dollars, as shown by their reports on our records.

Respectfully,

R. G. DUN & CO.

*To the honorable the members of the senate and assembly of the State of New York :*

GENTLEMEN: The undersigned having read the provisions of a bill entitled "An act to prevent common carriers, forwarders, and railroad corporations from diverting freight, contrary to the directions of the shipper," respectfully urge the passage of the said bill as legislation necessary in the interest, not only of the shippers in the City and State of New York, but of the general public as well.

Your petitioners respectfully submit that the delays occasioned by such diversion of freight, to subserve the necessities and interests of the railway corporations' pool, have in the past seriously impaired the prosperity of vast interests in the City of New York, and will, if permitted to continue, place the merchants and forwarders of this city at a disadvantage compared with merchants and forwarders in other cities who are free to select the safest and most expeditious methods of shipping merchandise without the risk of having it diverted to lines, the facilities of which are inadequate for the business thus assigned them.

Your petitioners represent the largest interests in the City of New York in the respective trades to which they belong, and are firmly persuaded that the bill in question is necessary to prevent rival cities and other States from removing a very

considerable proportion of the jobbing and wholesale business now centered in New York City and State, to such other cities and States where there is no machinery, especially designed—such as the trunk line pool—to create such diversion of freight.

All of which is respectfully submitted.

H. B. Claffin & Co., Dunham, Buckley & Co., Mills & Gibb, Calhoun, Robbins & Co., Sweetser, Pembroke & Co., Bates, Reed & Cooley, Tefft, Weller & Co., E. S. Jaffray & Co., Bliss, Fabyan & Co., Low, Harriman & Co., Brown, Wood & Kingman, Geo. C. Richardson, Smith & Co., Joy, Langdon & Co., Denny, Poor & Co., Willimantic Linen Company, William Simpson, Sons & Co., Sullivan, Vail & Co., Lewis Bros. & Co., Woodward, Baldwin & Co., Case, Leland & Co., Meigs, Dale & Co., W. L. Strong & Co., A. D. Juilliard & Co., Garner & Co., E. S. Higgins & Co., Thurber, Whyland & Co., Austin, Nichols & Co., Schoff, Fairchild & Co., A. Backer & Co., and 500 other business houses of this city.

NEW YORK, *February* 28, 1885.

Senator GORMAN. What statement of Mr. Fink's did you refer to a moment ago as to not maintaining a pool except by the diversion of freights? Have you that statement here?

Mr. KING. That was a statement made to the railroad commissioners of New York on January 14, 1885. We had a six-hour session before the commission, with Mr. Fink and other railroad gentlemen in regard to this question. I have already answered this question by quoting Mr. Fink's own words.

Senator GORMAN. What is the document that you have there?

Mr. KING. This is the report of the commissioners. Mr. Fink made the statement that they only diverted for two months in last year. In February the New York Central transferred 865 tons; in March they transferred 625 tons; in April they transferred 2,782 tons; in May they transferred 562 tons; and in June they transferred 359 tons.

Senator HARRIS. Those are the months of 1884?

Mr. KING. Yes, sir, 1884. In July they transferred 755 tons; in August, 279 tons; in September, 480 tons; in October, 1,177 tons; in November, 1,156 tons; and in December, 1,135 tons. So you see that they transferred freight every month in the year. The Pennsylvania road transferred every month in the year, except one, and that was June. We had the most trouble as to the unnatural diversion of freight by the Pennsylvania and the New York Central roads. They transferred to the Erie, to the Lackawana, and to the West Shore goods that they could not deliver without going hundreds of miles out of the way, which led to a great deal of trouble. The following is Commissioner Fink's report:

The CHAIRMAN. The book you referred to I understand is the railroad commissioners' report of this State?

Mr. KING. Yes, sir.

#### AGREEMENT OF NEW YORK CENTRAL WITH MERCHANTS.

The CHAIRMAN. Is there anything else you wish to say?

Mr. KING. Nothing else. I stated before that this was the only question I was here on. Mr. Fink is very sensitive about the freight question. I have the agreement which the New York Central signed with the merchants. This refers to the dry-goods trade and all merchandise classified as first class:

OFFICE OF COMMISSIONER, REPORT DEPARTMENT,  
New York, January 31, 1885.

*Special Statement No. 169—West Bound.—West bound traffic from New York City, showing the tonnage transferred to and by each trunk road, also the proportion the freight transferred bears to the total traffic of each road, and to the total traffic of all roads, for the year 1884.*

Months.	NEW YORK CENTRAL AND HUDSON RIVER.				NEW YORK, LAKE ERIE AND WESTERN.				PENNSYLVANIA.			
	Transferred to other roads.		Received from other roads.		Transferred to other roads.		Received from other roads.		Transferred to other roads.		Received from other roads.	
	Tons.	Percentage of traf- fic received for shipment.	Tons.	Percentage of traf- fic forwarded.	Tons.	Percentage of traf- fic received for shipment.	Tons.	Percentage of traf- fic forwarded.	Tons.	Percentage of traf- fic received for shipment.	Tons.	Percentage of traf- fic forwarded.
January .....	.....	.....	1,327	5.8	771	2.7	.....	.....	784	3.6	57	0.3
February .....	80	0.4	796	3.3	5,606	23.3	.....	.....	930	4.1	74	0.3
March .....	625	2.3	382	1.4	3,951	17.7	79	0.4	179	0.7	38	0.1
April .....	2,782	10.4	426	1.7	463	2.0	649	2.8	171	0.7	.....	.....
May .....	562	2.3	.....	.....	11	0.1	.....	.....	.....	.....	.....	.....
June .....	350	1.8	17	0.1	.....	.....	590	3.3	252	1.0	.....	.....
July .....	755	3.4	58	0.3	.....	.....	1,632	7.5	713	3.4	.....	.....
August .....	279	1.0	39	0.1	.....	.....	236	1.0	130	0.6	.....	.....
September .....	480	1.6	.....	.....	.....	.....	362	1.3	241	1.1	.....	.....
October .....	1,177	4.6	.....	.....	36	0.2	660	3.1	226	1.1	685	3.3
November .....	1,156	5.3	.....	.....	623	3.1	628	3.1	474	2.9	616	3.7
December .....	1,135	8.4	.....	.....	881	4.6	443	2.4	285	1.7	680	3.9
Total, 1884 .....	9,396	3.3	3,045	1.1	12,342	4.7	5,219	2.1	4,385	1.7	2,149	0.8

Months.	BALTIMORE AND OHIO.				NEW YORK, WEST SHORE AND BUFFALO.				DELAWARE, LACK-AWANNA AND WESTERN.				TOTAL ALL ROADS.			
	Transferred to other roads.		Received from other roads.		Transferred to other roads.		Received from other roads.		Transferred to other roads.		Received from other roads.		Transferred to all roads.		Received from all roads.	
	Tons.	Percentage of traf- fic received for shipment.	Tons.	Percentage of traf- fic forwarded.	Tons.	Percentage of traf- fic received for shipment.	Tons.	Percentage of traf- fic forwarded.	Tons.	Percentage of traf- fic received for shipment.	Tons.	Percentage of traf- fic forwarded.	Tons.	Percentage of traf- fic received for shipment.	Tons.	Percentage of traf- fic forwarded.
January .....	96	1.6					268	52.1					1,651	1.9	1,651	1.9
February .....	216	4.2	11	0.2			5,957	80.4					6,838	7.2	6,838	7.2
March .....	38	0.5	78	1.0			4,644	57.8	428	2.2			5,221	4.9	5,221	4.9
April .....							3,245	54.0	904	4.2			4,320	4.1	4,320	4.1
May .....							573	11.0					573	0.6	573	0.6
June .....							4	0.1					611	0.7	611	0.7
July .....							2		224	2.1			1,692	1.9	1,692	1.9
August .....			153	2.6					-19	0.2			428	0.4	428	0.4
September .....			419	6.6									721	0.7	721	0.7
October .....			27	0.5	72	0.8	225	2.5	86	0.9			1,597	1.8	1,597	1.8
November .....			37	0.9	8	0.1	323	5.9	37	0.4	694	6.9	2,299	3.0	2,298	3.0
December .....	28	0.7	100	2.6			1,059	14.5	312	2.6	859	3.0	2,641	3.7	2,641	3.7
Total, 1884 ..	378	0.6	825	1.2	80	0.1	16,300	18.3	2,010	1.2	1,053	0.6	28,691	2.6	28,591	2.6

*Special Statement No. 169—Continued.*

TOTAL TONNAGE, 1884.

Name of railroad.	Received from shippers.	Actually forwarded.
New York Central and Hudson River .....	283, 531	277, 180
New York, Lake Erie and Western .....	260, 147	253, 024
Pennsylvania .....	264, 517	262, 281
Baltimore and Ohio .....	67, 556	68, 003
New York, West Shore and Buffalo .....	72, 668	88, 888
Delaware, Lackawanna and Western .....	166, 633	165, 676
Total, all roads .....	1, 115, 032	1, 115, 052

I certify that the above statement is correct.

H. C. BLYE,  
*General Agent.*

Countersigned.

C. C. McCAIN,  
*Chief Clerk.*

Approved by—

ALBERT FINK,  
*Commissioner.*

This agreement made the 23d day of April, 1885, between the New York Central and Hudson River Railroad Company, acting on behalf of itself and all transportation companies operating over the lines of its road, party of the first part, and John Gibb, as chairman, and William F. King, as secretary of a voluntary organization composed of many merchants and shippers of first-class freight, of the city of New York, parties of the second part,

Witnesseth that, in consideration of one dollar, other good and valuable considerations to it in hand paid, and the delivery to it of freight by the said merchants and shippers of the city of New York, represented by said John Gibb and William F. King, the said party of the first part, agrees as follows:

First. That the said railroad company, party of the first part, will accept freight, designated upon the schedule hereunto annexed as first-class freight, and will not divert the same or allow the same to be diverted from the line or instrumentality selected or designated by the shipper, and that the said railroad company will not make or uphold any agreement with any other corporation or transportation company providing for or contemplating the diversion of such first-class freight from the routes selected by the shippers. Nothing in this clause contained is to interfere with the railroad company, party of the first part, making for that purpose such changes in rates or freight charges it may see fit by the taking out of the schedule hereunto annexed, freight now known as first-class freight and putting the same in the second or other classes, or putting other classes of freight into first-class, such changes not to affect for the purpose of this agreement the classes of goods now known and designated first class.

Second. It is further agreed by the parties of the first part, that it will at once cause to be stricken out from its bills of lading and shipping receipts every provision by which it reserves the right to forward the described first-class goods by any other railroad line or instrumentality of shipment between the points of shipment and destination than such as may be selected by the shipper.

Third. It is further agreed by the said party of the first part that a simple delivery to it by the shipper, without further directions, shall be accepted as a direction to it to carry the said freight upon its own line and not to allow the same to be diverted to any other line, instrumentality, or route, and that the directions given by shippers as to connecting lines shall be carried out, and this agreement shall be regarded as part of every shipping receipt or bill of lading for first-class freight issued by the party of the first part.

Fourth. All limitations affecting such first-class freight contrary to the intent and meaning of the provisions herein contained, which may hereafter be contained in the shipping receipts or bills of lading issued by the party of the first part, shall be regarded as having been inadvertently inserted in such shipping receipts or bills of lading, and shall not be regarded or held as binding upon any shipper of such first-class freight upon the line or lines of the said railroad company.

Fifth. This agreement is hereby declared to be binding upon the said New York Central and Hudson River Railroad Company, and upon all transportation lines,

companies and organizations of whatever nature operating along or upon the lines of its road; and it is further declared to be in favor of and for the benefit equally of all merchants in the city of New York and vicinity, shipping goods of the class and description herein designated as first class over the line of the said New York Central and Hudson River Railroad Company.

Sixth. It is further agreed and understood that any merchant who shall have shipped first-class freight, which is diverted contrary to his directions, shall have paid to him by the said railroad company whatever damage he may have suffered, together with a return or remission of any charges for freight that he may have paid or incurred, and that if by reason of such diversion done or suffered by said New York Central and Hudson River Railroad Company, such goods shall have been lost or damaged upon an insolvent road, said New York Central and Hudson River Railroad Company will itself assume the payment of such loss or damage as though said loss or damage had been suffered or done upon its own road.

In witness whereof the parties hereto have hereunto set their hands and seals, the party of the first part at the hands of its president and secretary signing its name and affixing its corporate seal, the day and year first above written.

In presence of—

NEW YORK CENTRAL AND HUDSON RIVER RAILROAD COMPANY,  
By J. H. RUTTER, *President*.

Approved, C. M. D.

Attest:

E. D. WORCESTER, *Secretary*.  
JOHN GIBB, *Chairman*.  
WILLIAM F. KING, *Secretary*.

WILLIAM C. EVANS.

#### CORRESPONDENCE WITH PENNSYLVANIA RAILROAD COMPANY.

The CHAIRMAN. That was the 23d of April, 1885.

Mr. KING. I am now in correspondence with the Pennsylvania people with regard to the matter. In one of the letters which the Pennsylvania people have written to me is the statement that they have always been opposed to the pooling system in the matter of diverting merchandise. It is a very interesting letter, and if you would like to have a copy of that I will send it to you. They object to signing an agreement that gives preference to one class without giving it to the others. Whether they will sign an agreement covering all classes, I do not know. We are in correspondence with them now.

PHILADELPHIA, May 1, 1885.

MY DEAR SIR: The agreement between your association and the New York Central and Hudson River Railroad Company, under which the latter obligates itself not to transfer to other lines any first-class freight delivered to it for transportation, is herewith respectfully returned unsigned.

It would give us pleasure to comply with your request by affixing the signature of this company to it, but it is impossible for us to see how we could consistently do so.

This company has never been favorable to the adjustment of pool balances by the transfer of freight which has been delivered to it, and our intention in the future is to avoid such mode of settlement, if at all practicable. Our main objection, however, to signing this agreement is that we would confine the obligation to one class of freight *only*, leaving the inference that we would still continue to transfer freight of other classes.

You can readily understand how difficult it would be for us to give a satisfactory reason for such action to the shippers of freight of other classes, and will, I think, agree with us that each and every class of freight should receive from the transporter precisely the same treatment in this respect.

Yours, very truly,

JOHN S. WILSON.

WILLIAM F. KING, Esq.,

*Secretary Merchants and Shippers' Organization,*  
410 Broadway, New York.

NEW YORK, May 15, 1885.

DEAR SIR: I have your letter of May 1, returning unsigned an agreement which was signed by the New York Central and Hudson River Railroad Company, and

stating your reasons for the failure to comply with the wishes of merchants shipping first-class freight.

Allow me to observe that there is an answer which to my mind is quite conclusive, why you can justify an agreement not to divert first-class freight, as against any criticism that may be made by the shippers of other classes of freight. In first-class freight the element of time is of primary importance. It pays a higher rate, not only because it is more valuable freight, but because its shipments are to be made within a reasonable period of time. Seasons and fashion enter largely into the value of articles shipped as first-class, and to a very limited and remote degree into articles shipped as lower class of freight. Hence there is not the same complaint or the same ground for complaint arising from diversions of freight, by shippers of other classes of freight.

When they make their complaint and show as good a case against diversion as that which can be shown by first-class shippers you may treat them then upon the same footing as you have us, should you finally determine to sign our agreement.

The association which I represent did not feel it incumbent on itself to go beyond the protection of the rights and interests of its own members. It is, however, entirely willing, in its own protection to extend the scope of the agreement in such a way as to embrace within its protection all classes of freight, and if you will signify your willingness to sign such an agreement, I shall be glad to have our counsel send you the paper so modified as not to make the discrimination which you complain of.

Respectfully, yours,

WILLIAM F. KING,  
*Secretary Merchants' Committee.*

JOHN S. WILSON, Esq.,  
*General Freight Agent Pennsylvania Railroad Company,  
Philadelphia, Pa.*

PHILADELPHIA, PA., May 16, 1885.

MY DEAR SIR: I have from you, this morning, your valued favor of 15th instant, and contents have been carefully noted.

It is certainly true that first-class freight is more valuable, as compared with its weight, bulk, &c., than the lower classes, and that in most cases its prompt movement is of greater importance, but notwithstanding this you can understand how difficult it would be for us to take any position which would even seem like discrimination.

My own belief is that, if another pool is formed at all, some provision for the settling of balances will be made, other than the transfer of property from the line to which it is delivered to that of another, and hence, there is not much likelihood, in my opinion, of balances being adjusted in kind as heretofore.

Yours, very truly,

JOHN S. WILSON.

WILLIAM F. KING, Esq.,  
*Secretary Merchants' Committee, 410 Broadway, New York.*

NEW YORK, May 25, 1885.

DEAR SIR: Your favor of 16th instant duly to hand and contents duly noted.

You do not answer the question in letter of 15th instant whether your company would be willing to sign an agreement covering all classes of freight.

You will please not think me too persistent in this matter, as it is an important question, and constant inquiry is being made by merchants in Western States what the Pennsylvania Railroad have done.

It is important also that the merchants' committee should know the position your road will take before placing the agreement before other transportation lines for their signatures.

Awaiting your reply, I am, very truly, yours,

WILLIAM F. KING,  
*Secretary Merchants' Committee.*

JOHN S. WILSON, Esq.,  
*General Freight Agent Pennsylvania Railroad Company, Philadelphia, Pa.*

PHILADELPHIA, May 27, 1885.

MY DEAR SIR: I have your valued favor of 25th instant and contents carefully noted.

You are doubtless aware that all the pools, both east and west, are now in quite an unsettled condition and that all the lines, east and west, interested in the transportation of through traffic, are at this time making an effort to devise some plan by which uniform rates can be maintained. To bring about this result it is quite im-



possible to tell yet what will have to be done in the way of details, but this company expects to hold to the position, as far as practicable, in the future, that shipments delivered to it for transportation shall be carried over its own line.

Yours, very truly,

JOHN S. WILSON.

WILLIAM F. KING, Esq.,  
P. O. Box 2935, New York.

#### SUGGESTIONS FOR LEGISLATION.

Now, Mr. Chairman and gentlemen of committee, with your permission I would respectfully call your attention to the management of railroad properties issuing bonds and stocks, and the necessity of such legislation as will tend to prevent abuses, and render their securities a safe investment for the public.

First.—The present system of electing officers, who in a great many cases reside thousands of miles from the roads they are supposed to manage, and allowing the same men to be officers in half-a-dozen different railroad corporations, is wrong. The result too often is that the officers use their position not for the benefit of the stockholders and the public but for selfish ends solely, and in a great many cases to the detriment and ruination of the properties, as in the case of several roads which could be named, which are now in the hands of receivers or have defaulted on their bonds.

Take for instance Denver and Rio Grande, Wabash, Texas and Pacific, and a great many others, about which a few years ago such glowing accounts were published as to their enormous earnings, and their always paying interest on their bonds.

As an example of the way the bonds of some of them are marketed I will read to you an article from the New York Times of May, 1885, on the West Shore Road, and the way its bondholders were betrayed. The bonds of this road are now selling at about 30 and are likely to decline still further if the receivers in charge of it are allowed to continue to run the road at rates which cause a loss on almost every passenger and pound of freight carried. A policy so clearly ruinous as to seem malicious.

#### MISLED BY FALSE SIGNALS.

"Since the publication of your last chapter on West Shore affairs," said the bondholder, yesterday, "I have seen it stated in print that the receivers of the West Shore desire to be discharged. I can readily understand that it is not easy for them to manage a business for which they have no special qualifications when they cannot borrow on their certificates money to meet the losses which they incur in the management of that business. It is not out of place to remind your readers that the credit of this road which has fallen so low that the certificates of the receivers cannot be sold at a price that the court which has it in charge would justify, was spoken of by Winslow, Lanier & Co. in the circular they issued to invite the purchase of bonds as affording a security of 'a first mortgage on a trunk line traversing the most populous portion of the United States, and terminating at its commercial metropolis,' and concerning which they gave to the purchasers of the bonds and to the world the benefit of their mature judgment, skill, and experience, for values, as follows: 'It is believed that these bonds will become the favorite American railway investment for trust and other funds requiring permanency, convenience, and safety.' The present situation of this road conveys all the lesson that is needed to bankers who put forth gushing and ill-advised statements about the merits of the bonds they have to sell, without further comment. If the unfolding of the true condition of the West Shore transaction has no other result, it will at least be a caution to bankers not to put forward in the future any such rash statements as are contained in the invitation issued by Winslow, Lanier & Co. to purchase West Shore bonds.

"Preceding the time of the appointment of the receiver of the construction company mentioned in your last chapter, it should be noticed that in September, 1883, when the bondholders supposed that the construction company had money enough to

build the West Shore Railroad and to furnish its equipment according to the contract, and when they were resting under the assurance contained in the various circulars and pamphlets which had been issued that there would be no car trusts or other liens upon equipment furnished to the road, an agreement was made between the Pullman Palace Car Company and the West Shore Company by which the Pullman Company leased to the West Shore 291 box cars, 10 passenger cars, and 21 baggage and express cars. Not a sign was made by any one who had made representations to the purchasers of bonds as to the security for those bonds that the situation was in any way changed. This agreement is dated September 1, 1883. At that time John W. Ellis and Charles Lanier, of the firm of Winslow, Lanier & Co., were directors of the West Shore. General Horace Porter was the President of the West Shore, and he was also the vice-president of the other contracting party, the Pullman Palace Car Company. In his statement to the New York Stock Exchange, made on January 29, 1883, General Porter said: 'The equipment, now partially completed and to be included in the property covered by the mortgage, amounts to a cash value of \$6,000,000.' Those of the bondholders who were watching the delivery of equipment to the road had no lights to arouse any suspicion or to guide them to the conclusion that this equipment was being furnished in pursuance of a contract of lease made between General Porter, president of the West Shore Company, and General Porter, vice-president of the Pullman Palace Car Company. This transaction shows the great financial straits to which the construction company was reduced as early as the 1st day of September, 1883, and this further question arises, where, at that time, were the sentinels of the bondholders, Messrs. Charles Lanier and John W. Ellis? As we have heretofore shown, it was a part of the contract between Porter, Winslow and Woerishoffer and Winslow, Lanier & Co., when the latter undertook to 'finance' the West Shore bonds, that they should have the appointment of a certain number of directors, and that in pursuance of that stipulation Lanier and Ellis were elected. It is not claiming too much to say that their duty to the syndicate subscribers, whose money they had obtained on the strength of their representations, was to inform them of any and all changes in the circumstances or conditions of the West Shore enterprise. I have heard it stated that there were some acts and doings of the managers of the West Shore and of the construction company which Mr. Ellis thought were inimical to the interests of the bondholders and that he gave notice of his protest against such doings. If this statement is correct it shows that Mr. Ellis was alive to a portion of his duties, and it is extremely unfortunate for the interests of the bondholders that he did not fulfill his whole duty by giving them notice of those wrong-doings which met with his condemnation.

"After the appointment of the receiver of the construction company, when it became more than evident that a receiver must be appointed for the railway company, and when by every rule of good faith and honest conduct the situation of the railway company should not have been changed to the disadvantage of those who had furnished the money to build it, the relations between the West Shore and Ontario and Western Companies were altered by an agreement made on the 1st day of April, 1884, signed by Theodore Houston, one of the present receivers of the former company, then acting as its vice-president, and by Edward F. Winslow, who had been president of the construction company, and was then the president of the Ontario and Western. This agreement modified the case between the two companies, dated May 12, 1881, and released the Ontario and Western Company from its obligation to pay a rental to the West Shore Company of \$250,000 each six months, which rental was the amount of the interest on \$10,000,000 of the West Shore bonds which had been paid by that company to the Ontario and Western. It seems to have occurred to the corporate mind of the trustee of the West Shore bondholders that this release, which Mr. Houston, of the West Shore, had made to General Winslow, of the Ontario and Western, might have no validity against the rights of the bondholders, and the opinion of that eminent counsel, Mr. Charles F. Southmayd, was asked upon that subject. He says that after the making of the lease on May 12, 1881, the West Shore made its mortgage to the United States Trust Company as trustee to secure its first mortgage bonds, and that this lease and the tolls, rents, and profits thereof were covered by the mortgage, and that the modification of this lease is invalid as against the bondholders' security by the mortgage and as against the United States Trust Company as their trustee, and that a proper administration of equity law would require a court to instruct the receivers appointed by it, upon proceedings instituted by the trustee, to demand and insist on the payment of the rent of the leased road, in accordance with the provisions of the original lease and in disregard of the attempted modification by the agreement of April 1, 1884. According to the opinion of Mr. Southmayd the Ontario and Western is indebted to the West Shore in the sum of \$500,000 for the rental of 1884, and in a few weeks will be indebted in the further sum of \$250,000 for the first six months of the current year. If this indebtedness were collected by the receivers of the West Shore it would help somewhat to meet the deficiency in the operating expenses of the road, and it would appear to be a proper

subject of action on the part of the United States Trust Company as trustee for the bondholders.

"It is possible that some proceedings looking to that end may have been commenced as no doubt the United States Trust Company, in view of its past and great experience as trustee under railroad mortgages and its able counsel, must be aware of its duty in the premises. It would be very interesting for the bondholders to know what proceedings have been taken or what are about to be taken. And in this connection it would be advisable to call the attention of the trustee to the status of the telegraph line built on the right of way and property of the West Shore. I have noticed in a former article how General Winslow, acting for the construction company, and Porter, for the West Shore Company, attempted to dispossess the West Shore of its title to this property, and of its sale by the receiver of the construction company as a portion of assets of that company. Upon the principles mentioned in the opinion of Mr. Southmayd, as to the modification of the lease in favor of the Ontario and Western Company, it will readily be seen that the rights of the bondholders in this matter have not been affected by the action of Messrs. Winslow and Porter, and that the court, on an application made by the trustee, would direct the receivers to take charge of this telegraph property. I understand that a prominent bondholder has recently called the attention of the trustee to this subject, and has requested him to apply to the court for a proper order. It is earnestly to be hoped that the trustee will vigorously prosecute the rights of the bondholders to compel the payment of the rent of the Ontario and Western Company and to take possession of the telegraph line, so that the earnings thereof may be used in paying the expenses of running the railway. I understand it to be a fact that the expenses of operating the road, and which are being met by the sale of receivers' certificates, include the wages of the telegraph operators, and that the money earned by their services is paid over to the Baltimore and Ohio Company instead of to the West Shore Company. If my information is correct this is a practice so seriously affecting the interest of the bondholders that their trustee should immediately stop it. This and other unauthorized expenditures are matters which will seriously affect the validity of the receivers' certificates.

"I presented at some length the acts of and the representations made by the managers of the construction company, the managers of the West Shore Company, and the firm of Winslow, Lanier & Co., the financial agent of both companies and the syndicate bankers through which the bondholders of the West Shore have been brought to their present unfortunate condition. You may search the record through from the inception of the plan to the present moment to find one act of good faith or correct representation made to those whose money has been drawn into this scheme. The West Shore Company and the money of its creditors have been used alternately for the benefit of the construction company and the Ontario and Western. When the construction company had been declared bankrupt, and the West Shore could no longer be depleted for its profit, then there was an attempt made to surrender its revenues, to the amount of \$500,000 a year, in favor of the Ontario and Western. It seems to have been impossible to obtain any correct representation of the business or the financial condition of these two companies at any time. When it was known that they were in trouble some of the most prominent railroad men of the United States, who had been asked for assistance, met in New York to examine into their financial condition, but they were so disgusted by the withholding of material information and the attempt not to make full disclosures that they retired from the negotiation. The utter want of frankness in all matters pertaining to the West Shore transaction is the rock on which it split.

"On June 7, 1884, Horace Russell and Theodore Houston were appointed receivers by the order of Judge Brown, in a suit commenced by the United States Trust Company, as trustee, against the West Shore. On that day Franklin E. Wooster made an affidavit that he was the treasurer of the defendant, the New York West Shore and Buffalo Railway Company; that he was acquainted with the mortgaged property described in the complaint and its then condition, and that such property was probably insufficient to pay the mortgage debt set forth in the complaint. The significance of this affidavit, sworn to by the treasurer of the company and used to procure the appointment of receivers, is that it was made within eighteen months of the time that Winslow, Lanier & Co. issued their circular to induce the subscriptions to the syndicate agreement, and thirteen months and two days after they issued their circular of May 5, 1883, inviting proposals for the purchase of the last \$4,000,000 of bonds, which they sold at prices averaging 80.33 per cent.

"In the history of the many commercial bubbles we find none in which the collapse came so quickly or which involved the deluded investors in so great a loss. It is a fair subject of judicial inquiry whether the sufferers met their fate as the result of their own want of judgment or whether they were lured to it by false tokens or the display of false signals. Many an able master mariner has been lured to the destruction of the property under his command and to the destruction of the lives depending on his experience and judgment by the display of false signals. The judgment

of mankind considers such luring to destruction as an offense more grievous against the laws of God and man than the commission of actual murder, and it should be the care of the law in every civilized community to protect men from the display of false signals and tokens by which the labor and savings of a life are wrecked. I need not go quite to the definition of Shylock when he says, 'You do take my life when you take the means whereby I live,' but it is a matter certainly coming within the scope of the grand inquest of the country wherein such a transaction takes place to inquire whether a great wrong has been committed and whose is the responsibility of such commission, and it ought to be the duty of the presiding judge who directs their inquiry to call their attention to this subject.

"It may be that the bondholders may meet the consideration of some courageous member of the judiciary who will think that they have rights which should be inquired into and respected, and who will treat them with more consideration and more favor than they have heretofore received from any of the guardians to whom their interests have been intrusted. I have shown how they were treated before the appointment of the receivers, and it is well to inquire what has been their fate since. I do not intend to attack the good faith of the receivers. They are officers of the court, and are responsible to it for their conduct, and they should not be compelled to come into the newspapers to defend themselves against such a charge. But conceding their good faith, they have certainly erred in their judgment in the extravagant and reckless manner in which they have used the security of the bondholders committed to their charge. I think if these receivers had been appointed within the jurisdiction of Judge Brewer, who is now directing the management through receivers of the Wabash system, they would not have been permitted to have vied with the New York Central, or to have run twice as many trains as the convenience of the people along the line of the road required. The effect of this management has been to pile up a large debt which, it is claimed, is a prior lien on the road to the first-mortgage bonds, and the unremunerative use of a large quantity of equipment for which receivers' certificates have been issued, and which would not have been required if the road had been intelligently run. It is the opinion of one of the most successful railroad presidents of this country that all the business that has been done over the road since the receivers went into possession could have been accommodated at an expense of at least \$25,000 a week less than they have spent."

Second. With your permission I will read an article published in the New York World of May, 1885, on the way the elevated properties were consolidated—directors elected. Originally the amount of stock issued by the New York Elevated was 65,000 shares, and by the Metropolitan 65,000 shares. The heads and large holders in each company formed a third company called the Manhattan Company, to which were leased the roads of the first two companies upon a guarantee of 10 per cent. dividends. From the best information I can get the Manhattan stock was all water. Nothing was ever paid for it. The public press was used freely, and the 130,000 shares of stock of the par value of \$13,000,000 at from, say, 60 to 80 was placed on the market.

After the stock was sold trouble began; they could not pay the guaranteed 10 per cent. Some of the newspapers controlled by speculators and stock-jobbers attacked it as worthless, and broke the price to, I think, 15.

Then they woke up and found it had some value, and by scheming in some way compelled the holders of the stock in the original companies to consolidate their stock with this water, and constant litigation has been one of the ruinous results.

#### SOME "L" ROAD METHODS.

The suit recently tried in the Kings County supreme court of James Beveridge, of Brooklyn, against the New York and Manhattan Elevated Railroad Companies, involves the transactions of the elevated railroads in making their present lease, and in that connection presents some very interesting problems of corporation law.

In 1879, when Jay Gould was president of the Manhattan Railroad and Cyrus W. Field president of the New York Railroad, the latter was leased to the former for a period of nine hundred and ninety-nine years, at an annual rental of 10 per cent. on the stock value—\$6,500,000. This rent was paid only one year, but in 1881 a new instrument was executed between the two roads, which had at the time precisely the

same officers and directors, by which the annual rental was reduced from 10 to 6 per cent. The Metropolitan Company, which was also a party to the last agreement, became dissatisfied and brought an action against the other two roads to annul it. The case was tried in the court of common pleas before Judge Van Brunt, who, in 1884 vacated the agreement. In the mean time the arrears of rent under the lease, to the extent of \$780,000, had accrued against the Manhattan Railroad Company. After the decision of Judge Van Brunt the officers of the New York Railroad demanded payment of these arrears, and in default of payment took possession of their road. Thereafter, the officers continuing the same in both roads, the officers of the New York proposed to themselves, under the name and style of the officers of the Manhattan, to make a new lease at 6 per cent., although at the time the New York Railroad was, it is alleged, earning at the rate of 21 per cent.

It was agreed to. The papers were prepared by the counsel of the Manhattan, but it became evident that there might be a question of the validity of a lease made between the two roads with the same identical sets of officers, especially when their interest was much greater in the Manhattan than in the New York road. To make the disguise a little less transparent a stockholders' meeting of the New York road was called for August 1, 1884. On that day and at that meeting the board of directors unanimously resigned and a new board was elected, consisting of confidential representatives of the old board. At its head was Cyrus W. Field, jr. Of the thirteen members six were made stockholders on July 11, and the amount of stock transferred to them was exactly two hundred shares in all, varying from ten to fifty shares each. The hour for the election was fixed at 2 o'clock. At precisely that hour the stockholders meeting was organized, the election was immediately had, and at 2.10 the polls were declared closed, and the tellers announced that 53,000 votes had been cast. At 2.15 p. m. the newly-elected board of directors held a meeting, elected their officers, leased the New York Elevated road to the Manhattan for nine hundred and ninety-nine years at 6 per cent., "compromised" the claim of \$780,000 against the Manhattan for \$39,000, ratified the tripartite agreement between the three roads and adjourned at 2.30. Such official celerity was never known before. It was quite impossible for any man present to read intelligently the papers that were acted on during the time of the session of that board.

On August 5 this board of directors held a second meeting. Nothing was done except to pass a vote to meet thereafter "at 1 o'clock p. m. unless otherwise ordered." No other meeting of that board was ever held, and the entire board unanimously resigned on August 14, when the directors and officers of the Manhattan road were unanimously elected in their stead. The meetings had all been held at 71 Broadway, at the rooms of the Manhattan Company. Mr. Beveridge held a certificate of stock, on which was indorsed a guarantee of the Manhattan Railroad Company to pay 10 per cent. dividend on it pursuant to the lease of 1879. When he presented it and demanded the transfer with a similar indorsement it was refused, and he has not since been able to obtain any portion of the dividend. To those stockholders who claim 10 per cent. the Manhattan refused to pay the 6 per cent. or any dividend at all. Mr. Beveridge's suit was brought to test the law and justice of this refusal.

The interest of the principal stockholders will become more apparent, says the plaintiff, on observing the amount of stock in the two companies held by them. Here is a list of a few of the managing minds :

Owner.	Shares Manhattan Railroad.	Shares New York Railroad.
Jay Gould .....	50,000	5 000
Cyrus W. Field .....	17,500	10,000
J. H. Hale .....	2,340	304
Russell Sage .....	2,600	2,060
G. S. Scott & Co .....	2,000	none.
W. E. Connor & Co .....	5,200	100

That is to say, these five controlling men owned seventy-nine thousand six hundred and forty shares of Manhattan and only seventeen thousand four hundred and sixty-four shares of New York, which were called "Manhattan first preferred." Their interest was as \$800,000 to \$170,000, more than four to one. The suit now pending, alleges the plaintiff, is for the purpose of deciding whether they have a legal right, in the disguise of a board of directors, to take \$1,000,000 from a corporation in which they have little interest and transfer the money to a corporation in which they have a commanding interest:

Third. With your permission I will also read to you two articles from the New York Mail and Express of May 16 and May 20, 1885, (a paper controlled by one of the leading spirits in the elevated road system from its organization), on the great value and earnings of the elevated roads of New York, which tends to show, from the fact that these roads pay in spite of mismanagement and rascality, that there would be enormous profits in railroad enterprises honestly managed.

# STRIKING FACTS IN REGARD TO RAILROAD PROPERTY.

NEW YORK, May 15, 1885.

To the Editor of the Mail and Express :

SIR: In your issue of May 5, I noticed an interview with Mr. Cyrus W. Field, containing the following prediction, which was quoted from a previous interview published on June 3, 1881:

"What do you think of the present condition of the stock market?"

"There certainly will be a panic. How soon I do not know, but the longer it is delayed the worse it will be when it comes."

"Are you buying any stock at present?"

"The only stock I have bought since my return from Europe is that of the New York Elevated Railway Company."

"Are you selling any?"

"Yes; all the stocks and bonds I have which are not good beyond any contingency."

"Why, young man!" exclaimed Mr. Field, "can any sane person believe that this condition of things can continue when stocks are seen rising in the market several per cent. daily? To illustrate the present inflation of prices, let me give you a bit of my own experience. Before I left for my trip around the world I purchased many hundred shares of the stock of a Western railway at \$6 a share. Yesterday I sold it all through my broker at \$62.25, \$62.50, and \$62.62½ a share. Such inflation must be followed by a sudden collapse. \* \* \* I have hardly seen a sane man since my return from Europe. Speculation is making people crazy. Why, when I went to Delmonico's to lunch this afternoon, I saw a throng of pale and anxious men congregated about a stock indicator watching it as if it had been the pulse of a dying friend. It was a melancholy sight. Speculation is carried to an extreme which is sheer madness. A financial crash will soon bring people to their senses."

Curiosity has prompted me to investigate this, and having the statistics at hand, I have compiled the following statement of the highest and lowest prices since June 3, 1881, of eighty-five stocks dealt in on the New York Stock Exchange, with the decline in each case:

	Highest.	Lowest.	Decline.
Alton and Terre Haute .....	85	15	70
Alton and Terre Haute, preferred .....	103	55	48
Bankers and Merchants' Telegraph .....	140½	1	139½
Canada Southern .....	78	23	55
Canadian Pacific .....	65½	35½	29½
Cedar Falls and Minnesota .....	40½	8	32½
Central Pacific .....	102½	26½	76½
Central Iowa .....	37½	7	30½
Chicago, Saint Louis and Pittsburgh .....	22	6	16
Chicago, Saint Louis and Pittsburgh, preferred .....	57½	15	42½
Cleveland, Columbus, Cincinnati and Indianapolis .....	100½	23	77½
Chesapeake and Ohio .....	31½	7	24½
Chesapeake and Ohio, first preferred .....	47½	3	44½
Chesapeake and Ohio, second preferred .....	34½	4½	30½
Chicago, Burlington and Quincy .....	170½	107	63½
Chicago and Northwestern .....	150½	81½	69½
Chicago and Northwestern, preferred .....	175	117	58
Chicago, Milwaukee and Saint Paul .....	129½	58½	71
Chicago, Milwaukee and Saint Paul, preferred .....	144½	95½	49½
Chicago, Rock Island and Pacific .....	146	100	46
Delaware, Lackawanna and Western .....	150½	82½	67½
Delaware and Hudson .....	119½	66½	53½
Denver and Rio Grande .....	113½	4½	108½
Dubuque and Sioux City .....	96½	52	44½
East Tennessee, Virginia and Georgia .....	21	2½	18½
East Tennessee, Virginia and Georgia, preferred .....	33	4½	28½
Evansville and Terre Haute .....	86½	30	56½
Houston and Texas .....	106	14	92
Illinois Central .....	150	110	40
Indiana, Bloomington and Western .....	56	8½	47½
Louisville and Nashville .....	109½	22	87½

	Highest.	Lowest.	Decline.
Lake Shore.....	134	50½	89½
Lake Erie and Western.....	65½	4½	60½
Louisville, New Albany and Chicago.....	117½	10	107½
Manhattan Beach.....	57	10	47
Memphis and Charleston.....	93	23	70
Michigan Central.....	114½	46½	78½
Milwaukee, Lake Shore and Western, preferred.....	64½	30½	34½
Minneapolis and Saint Louis.....	30½	7½	29½
Minneapolis and Saint Louis, preferred.....	77	17	60
Missouri Pacific.....	114½	63½	51
Mobile and Ohio.....	30½	6½	33½
Missouri, Kansas and Texas.....	58½	9½	43½
Nashville, Chattanooga and Saint Louis.....	95	30	65
New Jersey Central.....	104½	31	73½
New York Central.....	151	82½	68½
New York and New England.....	84½	8	76½
New York and New Haven.....	190	168	22
New York, Chicago and Saint Louis.....	17½	1½	16½
New York, Chicago and Saint Louis, preferred.....	37½	4	33½
New York, Lake Erie and Western.....	50	9½	40½
New York, Lake Erie and Western, preferred.....	96½	20	76½
Norfolk and Western, preferred.....	66½	17	49½
Northern Pacific.....	54½	14	40½
Northern Pacific, preferred.....	100½	36½	63½
Ohio Central.....	37½	3	37½
Ohio and Mississippi.....	60	10½	49½
Ohio and Mississippi, preferred.....	119	64	55
Ohio Southern.....	37½	5	32½
Ontario and Western.....	38½	6½	32½
Oregon Railway and Navigation.....	178	59½	118½
Oregon Transcontinental.....	98½	6½	92½
Oregon Improvement.....	91½	8½	82½
Philadelphia and Reading.....	74½	13½	61½
Peoria, Decatur and Evansville.....	57½	7	50½
Pullman Palace Car Company.....	146½	90	56½
Quicksilver.....	21½	3½	17½
Quicksilver, preferred.....	75½	20	55½
Richmond and Danville.....	250	32	218
Richmond and West Point Terminus.....	263	13	251
Rochester and Pittsburgh.....	50	1½	48½
Saint Paul and Omaha.....	58	18½	39½
Saint Paul and Omaha, preferred.....	117	69	48
Saint Paul, Minnesota and Manitoba.....	169½	76½	93½
Saint Louis and San Francisco.....	55	11½	43½
Saint Louis and San Francisco, preferred.....	81½	24½	56½
Saint Louis and San Francisco, first preferred.....	115½	70	45½
Texas Pacific.....	73½	5½	68½
Union Pacific.....	131½	28	103½
Wabash, Saint Louis and Pacific.....	60	2	58
Wabash, Saint Louis and Pacific, preferred.....	95½	6½	89½
Western Union Telegraph.....	*94	49	45
American Cable.....	74	49	25
Colorado Coal.....	67	7	60
Consolidated Coal.....	39	18	21

\*Ex certificates.

The remarkable and unprecedented shrinkage in values which is reflected in the foregoing figures shows that the prophecy made by Mr. Field in 1881, when Wall street was fairly crazy on the bull side of the stock market, has been fulfilled to the very letter. In view of the correctness of Mr. Field's prognostications at that time, his opinion now that good stocks will rise and worthless ones almost entirely disappear will, no doubt, be regarded with great respect by investors.

There is another equally important point in Mr. Field's interview of June 3, 1881, namely, that which relates to his faith in the elevated properties. In the face of the great decline in railway property generally, as shown in the above table, Manhattan Elevated has advanced from 15½ to 95½, or over 500 per cent. This remarkable advance has been due to the steady increase in the earning capacity of the elevated system, which has demonstrated its ability to pay 6 per cent. per annum on its capital stock, and earn a surplus besides. The great saving in operating expenses by the reduction in the price of coal alone will materially reduce the operating expenses this year and add to the net profits of the company, to say nothing of the increased travel on the lines, which was clearly shown in a recent statement of the auditor. The experiments now making with the electric motor, which give bright promise of success at an early day, are expected to result in still another great reduction in working expenses. The Manhattan Company has a traffic which is entirely distinct from that of any other of the great railroads of the country, and is not, therefore, affected or

disturbed by the troubles which periodically beset the trunk lines of the East and West, and which so frequently lead to ruinous rates for freight and passengers. The elevated system has become so closely linked with the growth of New York City that the prosperity of the one is really the prosperity of the other. The metropolis does one-half of the export and two-thirds of the import trade of the whole United States, and its assessed valuation is equal to that of twenty-one States and Territories of the Union. No other city in the world represents such a large percentage of the whole trade, commerce, and wealth of the country to which it belongs, as does New York. In a word, the future of a railroad system which furnishes rapid transit to a city of such vast financial and commercial importance can hardly be overestimated.

A SUBSCRIBER.

#### A DISCREDITABLE SHOWING.

NEW YORK, May 20, 1885.

To the Editor of the Mail and Express:

I noticed in a recent edition of the Mail and Express a communication setting forth the great shrinkage in the value of railway property generally, and was particularly struck by the decline in certain stocks which in the past were "bulled" beyond all reason by a set of men who for a long time have been doing their utmost to destroy confidence and wreck corporate property. I have taken from your list the stocks which this party palmed off on their friends and a confiding public at high figures, and have added other securities which they also put afloat. The result, it will be seen by the following table, is as remarkable as it is discreditable to the men who inflated these speculative bubbles:

	Highest.	Lowest.	Decline.
Denver and Rio Grande.....	118½	4½	108½
Northern Pacific.....	54½	14	40½
Northern Pacific preferred.....	100½	36½	63½
Ontario and Western.....	38½	6½	32½
Colorado Coal.....	67	7	60
N. River Construction stock.....	131	5	126
West Shore bonds.....	87	28½	58½
West Shore stock.....	38½	2	36½
Mexican National first-mortgage bonds.....	72½	13	59½
Mexican National stock.....	27½	2½	25
Texas and Saint Louis first-mortgage bonds.....	85	13	72
Texas and Saint Louis stock.....	35	*1½	33½

\*7½ per cent. cash assessment paid.

Here we have a number of stocks and bonds which from high figures have dropped almost entirely out of sight, some of them selling for a mere song. The chief promoter of these enterprises, who was a director in most of them, and who ought to have been thoroughly acquainted with their respective merits, started out to destroy other people's property as soon as he had feathered his own nest. To those familiar with Wall street it is needless to say that this individual long since assumed the leadership of the bear clique, and yet with this record he and his friends are constantly berating the elevated railroad properties and those who by conservative management and great energy have brought the Manhattan to its present high position as a dividend-paying investment stock. The comparison between the Manhattan and the securities with which the bear leader has been identified is so obvious that "he who runs may read."

WALL STREET.

Fourth. If officials of our railroads through the country were held under some such responsibility to the National Government as are national banks, and swift and adequate punishment were to follow the issuing of false statements and recklessness in management and other abuses of their trust, instead of the lack of confidence that exists in all railroad securities, their bonds and stocks would be held as safe investment, and sought after more eagerly by our citizens. It has become a serious matter how to invest money where it will be safe and pay a fair



return. Our savings banks do not want to take \$1,000 or \$2,000 on deposit and pay interest because of the difficulty of properly investing it.

A railroad bond should be made as secure as any real-estate mortgage or Government bond, for with the great facilities that have been given these corporations by the people, and their enormous earning capacity, the people should be made to feel that our Government will protect them in their investments in them.

#### POOLING SYSTEM AND REBATES.

Mr. Commissioner Fink stated a short time ago that he has never succeeded in maintaining the pool. It virtually has been a failure, and, in my humble opinion, he never can succeed, for the reason that it is on an artificial basis.

He admitted a few minutes ago that it cost 15 cents per hundred to haul freight from New York to Chicago, and they received 75 cents for first-class freight from 1882 to January, 1885, and in proportion for other classes, which is an enormous profit on honest capitalization of railroads.

Each road receives a certain percentage of the total freight. He also admitted before the railroad commission of this State that the weaker roads in order to get their percentage of the freight allotted to them were allowed to cut rates, and, according to his reports of the tonnage carried, they were unable at cut rates to obtain their share. Now, one of the evils of diverting freight is that the merchant who prefers to ship by the lines which have the best facilities and pays full schedule rates may have his freight transferred to even up the percentage of the weaker roads.

This is an injustice, not only in delay, but in compelling him to pay more than he would have done had he shipped by the weaker lines, with which he could have contracted for 33, 3 per cent. less.

#### REBATES.

Railroads will carry freight for some stockholders or influential merchants at a little over cost. What is the consequence? The smaller merchant or manufacturer is compelled to compete with an unjust competition. Rates should be established by law, the same as rates of postage. No merchant, if he sends 10,000 letters, has an advantage over one who sends but one letter. This gives an equal chance to all, and the same rule should apply to freight shipments. The merchant who ships one car-load should fare as well as he who ships one hundred car-loads. In the fight for political supremacy the vote of the man with millions counts for the same as the man worth only hundreds.

I sincerely trust your committee will take this matter into serious consideration—the establishment by law of no discrimination or special advantage of the larger merchant over the smaller one, but the same rate and privileges to all.

#### DIVERSION OF FREIGHTS.

Senator GORMAN. All the roads admit that the diversion is a great injustice to the public, do they not?

Mr. KING. Yes, sir.

Senator GORMAN. I see by this report of Mr. Fink to the commis-

sioners that he says only  $2\frac{1}{2}$  per cent. out of 1,150,000 tons last year were diverted.

Mr. KING. I have answered that point.

The CHAIRMAN. Dry goods are the highest priced goods?

Mr. KING. Yes, sir; they pay the best terms. An average case weighs about 300 pounds; so you can see the immense injury done if they divert only 20,000 tons of first-class freight.

The committee adjourned until to-morrow at 10 o'clock a. m.

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NEW YORK, *May 22, 1885.*

The committee met pursuant to adjournment.

### GEORGE R. BLANCHARD'S STATEMENT.

GEORGE R. BLANCHARD (formerly vice-president of the Erie Railroad) appeared.

The CHAIRMAN. You may proceed with your remarks. You can take your own course, remembering that we are somewhat circumscribed in time and space.

Mr. BLANCHARD. Are the inquiries to be addressed by you, or shall I take your printed memorandum?

The CHAIRMAN. You can take one of those printed circulars and reply to the inquiries. Of course, we do not expect you to be confined absolutely to those inquiries. Those were merely for the purpose of suggesting the general run of the information we are inquiring about. If there is anything you wish to say outside of them, we shall be glad to hear you.

Mr. BLANCHARD. I was on the stand in this State for eight days before the Hepburn committee, which, as Senator Miller knows, was a very thorough one. I have also addressed committees at Washington several times, and have been before legislative and trade bodies, and have contributed to public discussions on this question. I can give you copies of my remarks on those occasions, if desired. They will answer your purpose more fully if you want detailed information.

Senator HARRIS. My own opinion is that you had better incorporate those extracts into your notes of testimony so as to put them in a compact form. It will reduce the volume and secure with absolute certainty their production in their proper connections; while if we are left to search out of a voluminous discussion of the question those points we desire particular information about, we may never get all that should be before the committee.

The CHAIRMAN. You may proceed now with your remarks.

### SAFEGUARDS AGAINST EXTORTION.

Mr. BLANCHARD. In answer to your inquiry marked No. 1, and taking up the question of extortion first, as applied to the bulk of the through railway traffic of the country, I would say that the United States are particularly fortunate in the limitations imposed upon charges for rail transportation, by the proximity of rivers and lakes and oceans; and more particularly when all those are taken in connection or competition with the Erie Canal and the Saint Lawrence River. They are

the safeguards against railway extortion, which, taken in an aggregate, comprise upwards of 35,000 miles, and not only regulate the charges of carriers by rail parallel to them, but absolutely enforce the same limitations upon rail carriers that are remote from them, because if a carrier by rail that is parallel to water makes water rates, another and more distant railway cannot get more than its rail rival charges.

#### RAIL CHARGES LIMITED BY WATER COMPETITION.

As, for example, the rail charges from Chicago to New York, lasting through seven months or more in twelve, are as inflexibly controlled by the charges of the lakes and the Saint Lawrence River, and the Erie Canal, and the Hudson River, as the charges of one merchant of good standing in business are regulated by those of another good merchant in the same general interests and business across the street. The intermediate rail charges between Chicago and Buffalo and Buffalo and New York are also limited both ways, because, if it is true that they are limited by water as to through points, it must be an equally inflexible truth that they must be limited as to all way points parallel to the same through water carriers, where boats land.

#### FOREIGN AND HOME MARKETS.

The charges of the four railway lines now operating between Buffalo and New York are not only limited in the season of navigation by the canal and the Hudson River; but independent of that cause are the limitations imposed by rival western markets, competing Atlantic home ports, Canadian shipping rivalry, foreign ports, the values of wheat at and from Odessa and India, and the rates via New Orleans, Charleston, &c. All those commercial considerations operate against extortion by all the routes that I have specified, whether water or rail; but, taking the water competition alone, a rate on cotton from Memphis through or to New York, is regulated inflexibly, by a cotton rate from Memphis to New York or Liverpool through New Orleans. So I say it is not only rates upon a business that is exactly parallel to the rivers which are limited, but many other routes and classes of traffic as well.

#### WIDE-SPREAD INFLUENCE OF WATER ROUTES.

The Louisville and Nashville Railway, for example, cannot charge more on cotton from Nashville to New York than it does from Memphis to New York, although there is no water, practically speaking, from Nashville to New York or any Atlantic ports. The same illustration applies as to the business from all points in the entire distance from Saint Paul to New Orleans. Rail-rates therefrom are regulated by water charges via New Orleans, Duluth, or Chicago. The same is true, too, from New York City, for example, to Pittsburgh, because Pittsburgh, being in trade and carrying rivalry with Buffalo, and Buffalo rail rates being regulated by water charges, Pittsburgh and the enormous trade and railway interests concentrated there, although having no water from New York to Pittsburgh, combine to say they cannot, and will not, stand higher rates from New York to Pittsburgh than from New York to Buffalo, nor more from Pittsburgh to Chicago than from Buffalo to Chicago; and thus the Erie Canal and the lakes regulate Pittsburgh and Wheeling rail rates as effectually as they do Buffalo.

## THE RULE OF DEPENDENCY.

Now, take this rule of dependency, which, like a falling row of bricks, operates throughout the entire country, and tip down the brick or rate that lies nearest the water, and down go the farther inland rates and bricks just as well and just as unavoidably; so that a tariff once formed upon Chicago, which is the pivot of the western rail as well as water rates, and upon New York, which is the eastern rail, canal, and ocean pivot, and every other interior point of through rail shipment to and from the seaboard hinges upon those two pivotal centers as certainly as access to and egress from a house is mainly regulated by its doors.

## THROUGH RATES FIXED FROM PIVOTAL POINTS.

To illustrate my meaning more fully, yet briefly: How long would Saint Louis, for example, stand an unjust rail discrimination, merely because it has no direct water route to New York as compared with Chicago? Not a day, without rebellion against its railways. Therefore, Chicago fixes the Saint Louis rate to New York, with its lake and water charges, just as inflexibly as if the Mississippi River, instead of running from Saint Louis to New Orleans, ran from Saint Louis to New York. Now, if Chicago and Saint Louis, as prominent examples, are so fixed, Milwaukee is necessarily so, being on the lake. But Saint Paul is just as necessarily so as Saint Louis and neither is on the lake. Then every point between Chicago and Saint Louis feels the influence of the through rate either from or to Chicago or Saint Louis. Cincinnati rates are as justly fixed with proper trade and railway reference to Chicago. Louisville the same. The Louisville rate, through Tennessee, to Richmond, Va., Newport News, or any other sea port on the Atlantic, must have a certain farther relation to the rate on the same article from Louisville to New York, which, as I have shown, is fixed by Chicago and its water outlets.

Therefore, it is impossible upon tobacco, for example, shipped from Louisville, by way of Richmond, to Bremen, a route not paralleled inland by water rivalry, to get more than the rate from Louisville to New York, and thence from New York by sail or steam; which rate from Louisville is fixed upon Chicago and its lake conditions.

## PERCENTAGE OF TRAFFIC AFFECTED BY WATER ROUTES.

What percentage of the whole through carrying trade of the country is thus regulated it is extremely difficult to state. As a member of the trunk line executive committee for a number of years, I once undertook to tabulate it in some general way; but the statistics being kept by different companies in different ways, and there being no central bureau or authority to which to report, it has almost been impossible to do so. I have roundly estimated that of what may be called the great competitive traffic of the country, by which I mean business both East and Westbound, and originating between the Missouri and the Mississippi on the west and the ocean on the east, over 40 per cent. of the interstate tonnage is absolutely made competitive in rates with these water routes, and over 75 per cent. of it all is *affected* by water rates.

If my premises are fairly accurate, it therefore follows that the practice of railway extortion on through or seaboard freight lies much more in the minds of agitators than it does in the freight bills merchants pay.

## INTERIOR INTERSTATE COMMERCE.

Next take interior interstate commerce, originating from a point illustrated by Columbus, Ohio, and destined, if you please, to Pittsburgh, Pa. The modern and better practice of the railroads is, that, although there is nothing between those two points limiting the charges of the railroad companies except the respective State charters of the railroads, not one-fifth of the rates authorized by the charters are in effect charged; and in another respect, it has not been the case in ten years that the tariff from Columbus to Harrisburg has been higher than the tariff from Cincinnati to New York. I say the better practice of railroads, because I think public agitation has probably had good effect in this respect. It has, however, been greatly aided, and the result is much more due to the economies of steel rails, straightened lines, and lower grades, greater loads carried per car, improved ballasting, the increased weights of locomotives and trains, and all the effects of railroad competition, independent of the water competition I have referred to than to any other causes. All these combined influences have nevertheless greatly equalized local with through station rates.

## EQUALIZATION OF LOCAL AND THROUGH RATES.

For example, when I came to the Erie Railroad in 1873, the charge on dry goods from New York to Chicago, 965 miles, was, if you please, 75 cents per 100 pounds as the actual or cut rate, although the tariff rate was about \$1.25. At the same time the rate to Hornellsville, on the Erie Railway, 340 miles, was about 80 cents for 100 pounds.

Senator PLATT. That was the actual rate?

Mr. BLANCHARD. Those were in both cases the actual rates. I take it that no railway officer will be found to-day (and if he be found he ought to be corrected) who would justify such a way or local discrimination as that as compared with standard through rates for much greater distances. There has never been a competing railway to Hornellsville; yet the rate, voluntarily reduced by the Erie Company, was but 40 cents when I left its service. That is a fair example of the sweeping and voluntary local reductions that have been going on all over the country. The same general rule is applied now more or less by the New York Central, by the West Shore, by the Lackawanna, by the Erie, by the Pennsylvania, and by the Baltimore and Ohio Railways. When I mention these roads I mean all their affiliating and connecting Western interests, which constitute an enormous aggregate of mileage and of tonnage carriers.

Senator PLATT. Do questions interrupt or disturb you?

Mr. BLANCHARD. Not at all.

## REDUCTIONS IN RATES.

Senator PLATT. Do you think the voluntary reduction in local rates has been as great as the voluntary or enforced reduction in through rates?

Mr. BLANCHARD. I think greater. I have in mind that at a time, for example, when the Butter and Cheese Exchange of New York recently moved into and occupied our old railway offices, I went to welcome them to their new quarters on behalf of our company. That morning, in looking over some old papers, I had discovered a butter and cheese freight tariff, issued when the Erie Company went into that same

building. It was \$1 per 100 pounds from and adjacent to Dunkirk to New York; but at the time when I spoke it was only 20 cents per hundred pounds.

At \$1 shippers furnished their own stoves in the cars and took the property via Piermont or paid freight for it there. At the 20-cent rate the railway company furnished the room for stoves to provide against frost in cold weather; it ran the trains at higher speed, giving them right of way over everything except passengers and animals; it furnished the docks at Jersey City for cheese inspection, and it transferred and delivered the cheese to steamers without additional charge.

Now, there was a local rate of one-fifth of what had been charged before, in addition to the increased facilities. That same reduced rate had been issued not simply from Dunkirk, where the lake and canal operated to a very small extent (because few boats landed there), but to every station east of Dunkirk that shipped cheese. I think this is perhaps as striking an illustration as I could give of voluntary local or way reductions.

I have spoken generally of the prevention of extortions by water competition and voluntary abatements in local rates. I come now to the prevention of railway extortion by the rivalries of markets.

Senator HARRIS. In the earlier part of your statement you assert that Chicago, as a pivotal point, with water competition both to Buffalo and to New York, regulates the tariff of charges for Saint Louis, for Minneapolis, and so on. Its power to regulate would depend, would it not, upon the right of the people of Saint Louis and the points named to pay way freights to Chicago?

Mr. BLANCHARD. No; it is regulated differently. But first a percentage table should be furnished to your committee, and possibly this is it just before me now.

Senator PLATT. We have it. It is that relating to percentages.

#### MANNER OF REGULATING TARIFFS BY RAILROADS.

Mr. BLANCHARD. It will show you that instead of Saint Louis rates being limited by a through rate made up of a local rate from a non-water point to a water point, and thence the water rate, they are limited by a percentage of the Chicago pivotal rate voluntarily fixed by the railway companies. And that is done in this way: The thumb and fore finger of my hand being of unequal length and the wrist representing the starting point, a charge from one point, plus a charge from *that* point to New York must naturally be the same as the charge from the same starting point to the other exchange point, plus the rate from the second point to New York. The result is that if the rate by rail from Saint Louis to Chicago be added to the water rate from Chicago to New York, the through charge by railroad cannot be more than the sum of the two and the water risks. But in effect that does not answer, because the railroad companies east of Chicago say, for example, to the Chicago and Alton Railroad, "You shall not have a cent per ton per mile from Saint Louis to Chicago, because there is no water competition between those two cities, while we are carrying at a half a cent per ton per mile from Chicago to New York in competition with water." The result is that the Chicago and Alton road prorates with its eastern connecting lines per mile, so that the Chicago and Alton Railroad sacrifices what it might get to Lake Michigan on the through business for the people of Saint Louis; not voluntarily in all cases, but for the additional reason that the Pennsylvania Railroad, having no water at

all along the line of its Vandalia connection through Pittsburgh to New York, must of necessity carry at the same price through Pittsburgh without water parallelism that the rate from Saint Louis would be to Chicago, plus the lake charges and risks. In this way again the rates from Saint Louis via Pittsburgh are as inflexibly controlled by remote waters as if that water were in sight of its Pittsburgh track and route the entire distance.

#### COMPETITION OF DOMESTIC SEA-BOARD MARKETS.

The next point to be noticed is the competition of our great domestic sea-board markets. There is no lever more powerful than that. For example, you are all aware of the contests that have taken place between New York and Baltimore under the former zealous administrations of both President Garrett and Commodore Vanderbilt. You are aware that, without legislation on this subject, the railroads chose the best men of the country, all of whom were known at Washington, in its legislatures and courts—Mr. Washburne, Senator Thurman, and Judge Cooley—to adjudicate that question. The difference of charge was fixed at only 3 cents per 100 pounds lower from the West to Baltimore than to New York; that is, the grain rate from Cincinnati to New York was only 3 cents more than it was to Baltimore. Yet that is not more than the actual cost of performing the terminal or harbor transfer service in the city of New York.

Senator HARRIS. Three cents per ton?

Mr. BLANCHARD. No; 3 cents per 100 pounds, or 60 cents per ton. Yet New York business and railway interests would not permit that small difference to be increased, and Baltimore and all its powerful allied interests, and with all the attacks in favor of that port, never succeeded in getting it made greater. If the charges of the New York railways were governed by the higher rents, higher taxation and expenses of every character at New York, and by all the more costly conditions generally entering into what we pay for any service rendered—that is, the expensiveness of location, as we pay our tailor more on Fifth avenue than we do on Third avenue, and which enters into every other channel of life in New York City—then clearly a freight rate charged to New York would, by reason of the same greater cost and expenses of New York, be greater than 3 cents more than to Baltimore from that cause alone, leaving out every other factor, of distance, grade, route, economy of capitalization, funded debt, and everything else. I say that on the principle that you can live in Baltimore for half what you can in New York, it would have been just to charge that difference of cost to merchants for whom it was incurred in New York, for the greater amount it costs the railways to live and do business in New York City.

#### SLIGHT DIFFERENCE IN RATES THROUGH THE SEA-PORTS.

Notwithstanding this palpable and universal equity, which would justify greater charges in and via New York, the great products of the country, like its hemp, its corn, its cotton, its cattle, its tobacco, &c., cannot pay more via Baltimore to Liverpool than via New York to Liverpool; and it cannot be much more via New York than via Baltimore. It may be a little, because there are weekly steam sailings from Baltimore, and there are daily and speedier sailings from New York than from Philadelphia, Boston, or Montreal, where the same reasoning as to shorter distance and lesser expenses applies as that illustrated via Baltimore.

But given, for example, Liverpool as a consuming point, then all here know that a charge from the corn-crib of the farmer from the common point in Illinois to the farther common point in the Liverpool warehouse with equal speed, with equal circumstances, and with equal facilities of every kind, cannot be, with the sensitiveness and small margins of trade 1 cent per hundred pounds more via one port permanently than it is via another. Neither the Senate of the United States, nor any treaty or other power in the Government, nor any power in railway managers nor any power in or outside of monopoly, can regulate vessels sailing under the English or any foreign flag as to what they shall charge from their docks in New York to their docks in London, Bremerhaven, or Havre across the open and unlegislated ocean. The result is that taking the average of inland through rail rates extending over a long period, the inland rail rate to New York plus the ocean rate from New York must be about what the inland rate to Baltimore is, plus the water rate from Baltimore. That is the competition of and via our domestic markets, but there is the added competition of foreign sources of supply and their carriers, as, for example, the new grain fields of India, as against the Iowa farmer.

#### UNDUE COMPETITIVE BURDENS OF RAILWAYS.

When we take into account that Odessa can deliver wheat at Liverpool at a certain price for its combined production and transportation, and the enormous expenditures of the English Government in irrigating India, and in building railroads parallel to its irrigation, and that there are every day efforts in England to lessen the imports of American wheat, we see that our railway companies are standing more than their due shares of the country's competitive burdens of putting our products into foreign competing markets. A decline of 30 per cent. in wheat is great and unusual, but a reduction of 50 per cent. in through freight rates is common and unnoticed.

#### SUMMARY OF CAUSES WORKING AGAINST EXTORTION.

We therefore have, as against extortion so far, the restrictions of parallel water, the enforcements of our own rival markets, and the limitations of competing foreign markets. Those factors operate with much more certainty, equity, and celerity than law, because they are, so to speak (and reverentially), the enforcements of Divine power, instead of those of legislation. They are those trade changes or growths within natural limits which have been transpiring in various nations for centuries, instead of the spasmodic changes that have taken place in railway and carrying systems and in our transportation legislation. And those are the reliances that the American people can continue to depend upon to regulate this question beyond their hurt. It cannot be otherwise, for it is the same general law that grows and ripens their crops.

#### INFLUENCES AGAINST EXTORTION BY RIVALRIES OF INTERIOR CITIES.

The next feature of this case preventing extortion is the rivalry of our own interior cities, from questions of pride, and from the associations of capital, independent of commercial considerations. For example, how long would Mr. Garrett, with the ownership of the State of Maryland and the ownership of the city of Baltimore in the Baltimore and Ohio Railroad, permit a state of railway through rates that dried up



that corporate and State capital and his native city by shutting up the avenues of his road, or by making such rates that the public would not send their supplies and products over it. That is a farther natural law that is irrevocable, but it is a natural law with artificial results, because as long as New York is regulated by water it compels Mr. Garrett, if he wants to build up the city of Baltimore and its and his interests, as every one knows he does, to make competitive rates. This is another powerful safeguard and antidote to extortion.

#### BALTIMORE AND OHIO RAILROAD ORIGINAL STOCK-LIST.

A great many years ago, in searching the old records of the Baltimore and Ohio Railroad, I stumbled upon a most interesting book. It was the original stock subscription list of the Baltimore and Ohio Railroad, in which the name of Charles Carroll, of Carrollton, was subscribed, of George Peabody, Roger B. Taney, and others. The railway charges of their pioneer railway from Baltimore to Frederick, Md., were greater than is the charge from Baltimore to Chicago now. It was greater for 60 miles then than for 750 miles now. It can not be claimed that legislation has caused that reduction. Nobody has ever set that up as the cause of these reductions in any legislative or senatorial committee that I have ever seen. There might have been legislative restrictions if they had *not* been reduced, but natural forces extending into and through and beyond these railroad organizations have regulated and equalized it as inevitably as that one hotel cannot get ten dollars a day with another equally good one across the street charging five.

#### REGULATION BY NATURAL OR TRADE LAWS.

The same principle of natural or trade laws regulate, if to a lesser extent, extortion at intermediate local points. As for example, to follow up the Baltimore and Ohio illustration: A rate charged from Chicago to Baltimore cannot be much less than a rate from Chicago to Ellicott's Mills, 15 miles west of Baltimore; and a rate cannot be much less to New York than it is to Poughkeepsie, and it cannot be much less to New York than it is to Paterson, N. J., because the charges from the terminal points named, plus the return charges to these way points are now, with the local water competition, small. In other words, it is the rate from Chicago to New York by rail, plus a water rate back to Poughkeepsie. The rate, therefore, if the New York Central sought to make it high to Poughkeepsie, could not be above three or four cents per hundred pounds more than to New York. The rate to Paterson cannot be more than three cents over that to New York, and the rail rate to Trenton, N. J., cannot be more than the rate to Philadelphia or New York, plus the water rate to Trenton.

#### DESIRE OF RAILROADS TO SAVE TERMINAL EXPENSES.

As a general fact throughout the entire country served by these great lines they do not charge more than they do to New York. They like to get rid of their terminal expenses at the great cities, which are enormous, and send the business to local stations. It removes traffic from competition. They save the costly transportation across the Hudson River, at New York, for example. Further, taking Poughkeepsie and Paterson and Trenton and Ellicott's Mills, four illustrative points on the four roads, how can the charge be more to a point between

Poughkeepsie and New York than to either Poughkeepsie or New York? As a matter of fact it is not. How can the charge be more to any point between Paterson and New York than to either Paterson or New York. As a matter of fact it is not. And so on.

#### EXPERIENCE OF HON. THERON R. BUTLER.

As for the rates going west: The late and respected Hon. Theron R. Butler, president of the Sixth Avenue Railroad, told me shortly before his death that when he first went from New York to Warren, Ohio, it took him just as many days to go from here to Buffalo as it now takes hours; that when he got to Warren he took butter at 6 cents a pound and eggs at 5 cents a dozen and chickens at 10 cents apiece in exchange for calico at 20 cents a yard and sugar at 15 cents per pound. Now the same farmer gets 40 cents for his chickens, 30 cents for his butter, and gets his calico for  $6\frac{1}{2}$  cents a yard and his sugar for 6 cents per pound. Cheap transportation has done it all, but has any legislation as to rates produced the change in those carrying relations? At that time he paid \$1.50 per 100 from Buffalo down by wagon, plus the charges of the canal, making it, say, \$2.00. He gets sugar sent from here to Warren, Ohio, to-day for 20 cents per 100 pounds. No law of the State of New York or of the State of Pennsylvania has done that, except that the State of New York has protected itself and its interests by opening and maintaining the canal, which limits the charges of rail transportation, and, in connection with the lakes, limits the railway charges for transportation all over the country, as I have shown. When the completed line now composing the New York Central was first opened, it was prevented by law from carrying freight in competition with the Erie Canal.

#### INTERNATIONAL COMPETITION.

The next feature of extortion is international. The Grand Trunk Railway Company, operating mainly in and through Canada, has access, under our reciprocities, to the territory of the United States, where originates and terminates a great bulk of its through carrying traffic. It is built upon  $3\frac{1}{2}$  to 5 per cent. bonds, with cheap steel rails, which paid no import duties, and it is being operated by labor which has not reached the prices paid to our own. This parallel foreign carrier, if water was not present, would in itself regulate through American railway charges to the sea-board. No legislation contemplated or recommended by your committee, and none taken by the Senate or Government of the United States, can determine, alter, or regulate the rates of that great railway in Canada. And that I beg the committee to remember as a most important point in its recommendations as to railway legislation. Mr. Reagan, with whom I have had repeated discussions on this subject, flips it away as a boy would toss a cent for heads or tails on the pavement. But it cannot be so dismissed, or it will always be heads for Canada. It is a factor that will inevitably affect to ruin the ultimate business competition with the railways of this country if you surround our railroads with east-iron conditions of legislation and let parallel foreign rail carriers go free. The Canadian Pacific and the Grand Trunk and all these lines can get English capital for the great improvement of their systems under their own management, regulations, and laws for 3 per cent., if their capital was protected by a United States law that injured our own railways.

## LIMITATIONS OF CHARTER RATES NOT REACHED.

The limitations of charter rates are in no case that I know of reached in this country. There may be isolated cases, as in carrying oranges in Florida or ores in the Pacific mountains, that I know nothing about; but I am speaking of the great bulk of the carrying trade of the country, where not one-quarter of the average rates authorized by the charters are charged.

Senator PLATT. Charters do not always limit rates?

Mr. BLANCHARD. No; but usually.

Senator HARRIS. Those that do make a liberal maximum?

Mr. BLANCHARD. Yes; at which, in a good many cases, the roads did not even then pay.

## A STANDARD NEEDED BY WHICH TO JUDGE EXTORTION.

I would say further on this point there must be some standard by which railway extortion can be judged as the result of so many years of rail transportation in many countries. If you consider the railway transportation of any part of the world, whether those railways are under governmental direction or private control, you will find that the great competitive carrying of the United States is being paid for at rates about 50 per cent. of those paid by any other people enjoying railway communication in the world. There *are* such standards for your consideration. You pay to-day from New York to Buffalo \$4.50 for a ticket for 450 miles—the charter rate is \$9.25; but you pay for 205 miles from Liverpool to London, with facilities not better, substantially twice the money per mile, and so on.

## COMPARISON BETWEEN AMERICAN AND ENGLISH RAILROAD CHARGES.

Take the illustration of the carriage of our grains and of our other products. The rate from Liverpool to York, England, upon grain for that short distance is more to-day than it is from Chicago to New York. Our coal rates average less than in England, and our general merchandise rates not half as much for greater speed, more terminal accommodations, and a better non-transfer system. A rate may seem extortionate in Nevada for carrying ores, but the railways take the risks of the mines paying at all; they have no agricultural movement, and railway properties make or lose, like the mines they serve, largely and quickly. The miner can go away if he loses, but the railroad has to stay, and so on. A transportation service, too, may seem extortionate, yet be no more than it is worth to the person paying it, for transportation like any other commodity may, under reasonable circumstances, be very valuable where in others it would not, and should be paid for in any case at cost, plus what more than cost it is worth to the buyer of railway facilities.

## CONCLUSIONS.

In concluding this head I wish to say I am opposed to extortion. I am a believer in those railway and public equities which, if reasonably observed between carriers and their publics, will prevent extortion. I have always said that a railway officer disposed to extort excessive rates, all conditions being considered, ought to be surrounded with certain admonitory and then preventive safeguards. The question of extortion is the most important one. Indeed, I take it, and that is my reason for

giving so much time to it, that your whole inquiry is directed to extortion and discrimination. The one is the unjust rate, if everybody paid it, and the other is the injustice arising out of unequal rates.

#### DISCRIMINATIONS IN RATES.

Now, as to the question of discrimination, which looks to me to be the next most important thing. The word "discrimination" is subject to a good deal of abuse in considering railway charges; as, for example, if there is a factory on the line of the Pennsylvania Railway, 100 miles from New York, engaged in the manufacture of any staple article, say agricultural implements—and an association of capital desires to erect a similar establishment 150 miles from New York, on the line of the New York Central Railroad, at which point there is no such establishment, is it discrimination to charge the same rate for the 150 miles from New York, on the New York Central Railroad, that is charged for the 100 miles from New York, on the Pennsylvania Railway, in another State. And so on through the thousands of industries that cluster around these great carriers and cities.

#### JUSTIFIABLE DISCRIMINATIONS.

The casual shipper of a car-load of household coal at the point 150 miles from New York, who has always been getting his coal and is perfectly satisfied with, for example, \$2 per ton freight, finds that a manufacturing establishment is receiving its much larger quantity of coal for \$1.25 per ton freight to the same point, and he regards that as discrimination. It is a question subject to a great deal of honest difference of opinion whether that is discrimination or not; in other words, here is a manufacturing establishment that in the aggregate of its receipts and its shipments, reaches a daily output and import of twenty car-loads a day. Here *per contra* is an association of farmers that club together to get two or three car-loads of coal for winter use. Is it discrimination if the farmers pay for the winter's supply \$2 per ton freight on a small lot and the manufacturing establishment pays for its daily supply \$1.25 per ton freight on its large shipments?

#### HOW UNJUST DISCRIMINATIONS WERE SETTLED BY FOREIGN COUNTRIES.

Those are differences and difficulties that, in my judgment, never can be guarded against or regulated by anything except the most general proviso against unjust discrimination; as, for instance, the manner in which that has been settled by the English, or the way in which the German Government substantially adjusted it, or the method in which the Belgian Government was compelled to take hold of its own railroads, or the manner in which the French Government was compelled to adjust the same great and intricate question by a territorial division of the traffic.

#### CHEAP COAL FREIGHTS ALLOWED IN ENGLAND.

The CHAIRMAN. Did not the English Government actually allow coal to be hauled at cheaper rates, and decide that it was not unjust discrimination?

Mr. BLANCHARD. They did between the same points.

Senator HARRIS. You mean, the coal to be hauled to large consumers cheaper than to small consumers?

The CHAIRMAN. I do not remember that; but coal was regarded in a different light from other materials.

Mr. BLANCHARD. There have been repeated decisions by the English Board of Trade to the general effect you have indicated. The same is true as to lumber, and a large quantity of the business of England is done now at special rates as shown before its parliamentary committees. They also justify the carriage of large quantities of coal cheaper than of small quantities, &c.

#### SPECIAL RATES ON BUILDING MATERIAL FOR NEW MANUFACTORIES.

I made it a point, while on the Erie Railway, to have it known that the company would transport at reduced special rates all materials to be used in the erection of new manufacturing establishments; their stone, their cement, their lime, their lumber, their iron, their shafting, their boilers, their engines, &c., and I was subjected to repeated small assaults for discriminating; upon the principle that a man who desired to put an addition of a wooden kitchen to his house, for which he required one car-load of lumber, could not get it at the price agreed to be charged to the manufacturing establishment that was a regular and large receiver of lumber.

Is it discrimination in the just and broad sense of the word if all the aggregate of material to be used in the erection of works which would give a railway an annual income of, say \$50,000, and employ many people, and help fill passenger trains from and to that point besides, and transfer traffic from another line and State, should be carried at a lower rate than for the casual forwarders of the same article. I have taken an extreme illustration of what is usually called discrimination. It is for the purpose of bringing it strongly to your minds that I do so, but within those extremes lie a lot of smaller discriminations that may or not be justifiable on the same or other broad or technical grounds.

#### DISCRIMINATIONS THAT THE LAW SHOULD PREVENT.

Discrimination, therefore, as I came to regard it during my administration of railway duties, is that unequal and unjust difference of rates charged to two people engaged at the same or contiguous points in the same or a related business, one of whom is preferred in rates at the expense of another who is injured by higher charges. That the law ought to prevent if it can. If a railroad company is so blind to its own interest, or so blind to the public interest, that it will make such unjustly discriminating rates, it ought to be justly taken hold of, and the practice stopped by admonition and then penalty. That is a sound doctrine which the public has a right to insist upon, under the anti-discriminating clauses in their charters, or even if there were no such provisions or equities. I have sought to give you a fair definition of improper discrimination; but the illustrations I have given of the extremes were perhaps better than any definition I could give.

#### THE REMEDIES FOR EXTORTION AND DISCRIMINATION.

The remedies which will best prevent or cure extortion and discrimination are the next things that you are seeking, of course. Publicity

will do very much but not everything, and publicity is often relatively harmful. I cannot see, for example (first taking a State illustration as outside your immediate jurisdiction), why one railway company should publish the rates at which it carries the iron from a furnace to a given point, if its rival in another State does not state its rates to the same or a rival point. It is giving a weapon all the time to the company that does not practice publicity. The same thing is internationally true in the Grand Trunk illustration I have before spoken of. If, for example, as is claimed by Mr. Reagan, a rate was published by all the American lines from Chicago to New York to-day, and it could not be changed for ten or thirty days without public notice, while the Grand Trunk could change its rates within ten or thirty minutes, it would be the easiest thing in the world for the Canadian road to keep one cent per 100 pounds under the American railway rates, and decamp with the controllable business. This is too plain a statement to be questioned.

#### PUBLICITY OF RATES AND CHANGES.

Senator MILLER. Let us suppose that by a Federal law all through rates were compelled to be published and not to be changed without ten days' notice. What difficulty would there be in compelling any Canadian railroad which received freight within our borders to publish its rates and adhere to them the same length of time as to notice?

Mr. BLANCHARD. Nothing, if you can regulate the whole length of its line, in Canada as well as in the Union. For example, if you will compel the Grand Trunk, under a general law of our National Legislature, to publish and adhere to its rates all the way through to and via Montreal, very well. But if it publishes its rates only to Detroit and observes them to that point, and then makes all its changes and concessions and inducements, concealed or otherwise, east of Detroit, on that part of its route which is outside of our national jurisdiction—which they certainly would do if they did any tortuous thing—then you regulate only a small piece of a large line, and the regulation would have no more effect than if you did not regulate any part of it. The chain is no stronger than its weakest link.

Senator MILLER. We could pass a law which would compel them to publish rates for all through freight received in our territory, and, failing to carry that out, they could be stopped.

Mr. BLANCHARD. If that can be done it ought to be done. In other words, whatever limitations are put upon the American railways clearly ought to be put upon the competing Canadian railways, and specific limitations should not be put on one without the other.

Senator MILLER. Undoubtedly. It cannot be done without it.

Mr. BLANCHARD. No; it cannot be justly done without it. This being settled, the question of publicity is, in my judgment, the one in which you will find the principal cure for the ills of discrimination. At the time of the adoption of the railway commission of this State I suggested that if every railway company in the State were compelled to send to the office of the railway commissioners every special rate issued by it, not giving it any other publicity, but at the same time giving the railway commissioners of the State the right, under the official seal of honorable secrecy, to call the attention, as a matter of warning or advice of the railway company that was violating sound and accepted principles of transportation; that this course might have a great influence in securing just rates.

# RATES SHOULD BE POSTED IN STATIONS AND GOVERNMENT BUILDINGS.

As to the rates generally charged to the public between principal points on staple products, I have often said that they ought to be posted in every station, both freight and passenger, and in every Government building in the United States at the point at which the railroad and traffic originate. There should be, for example, in the post-office and custom-house of Chicago a list of the actual rates which the people are to be charged by rail, precisely as the rates of postage are posted.

The CHAIRMAN. And not require that at the railroad office?

Mr. BLANCHARD. Require it at the railway offices as well as at such public buildings. It is a very easy matter for each company to have its form. It now spends an enormous sum of money in passenger advertising which is of no practical value, and this would be of more value in every way to them and to the public.

## HOW CONGRESS CAN PREVENT UNJUST DISCRIMINATIONS.

The question of the prevention of unjust discrimination, in my judgment, can be settled by the Congress of the United States with the enforcement of a law of a very few lines in extent. I suppose that every transportation man you call before you will have some form of remedy. Mine is this: Let the railway companies fix their interstate rates, as now within the law, then submit them to any tribunal you may establish after they are fixed—I would not require them to be submitted before; for the red tape of law is proverbial—and let them be posted as I have suggested. Then let every railway that transports interstate commodities and which violates its own and its agreed rate, either by increase or reduction, be subject to just penalties, and thus compel it to stop discriminating against the people of the United States, as well as its rivals who pursue honorable courses, by observing its and their legal and honorable transportation agreements.

## INVESTORS IN RAILROADS SHOULD BE PROTECTED.

Secondly, the Congress of the United States owes the investors in the securities of legally organized railroads just as much protection and encouragement as it owes the farmers, who are not investors in, but do greatly use, these railroads. In other words, the broad idea of every national legislator I have ever met is that his duties extend to all classes of people. Look, for example, at the widespread ruin that has come upon the thousands of investors (not the speculators) of this country by cut, preferential and therefore discriminating and unstable rates, in the last four years, as compared with the absence of ruin to the farmers of this country. The bona fide investors have lost millions out of their pockets from the voluntary reductions in rates or the contests of their companies, but from whatever cause they have in every case benefited the farmers and others; and I say that one of the views your committee ought to hold is the equally interested and just protection of the investors who own the railways as well as the receiver and sender of traffic over them that do not own them. If you will simply say to interstate railroad companies and lines, "We will let you make reasonable rates within the law but you must promptly submit your action to the secre-

tary of the United States railway commission," which I have before strongly argued should be appointed——

#### RAILROADS SHOULD HAVE SOLE POWER TO MAKE RATES.

The CHAIRMAN. Would you allow railway companies to absolutely make their tariffs without consultation with any one?

Mr. BLANCHARD. I would, for palpable business reasons, allow them to make the interstate tariffs without consultation with governmental authorities, but would require the railway commission of the United States to report annually their researches into wrongs as well as their defense of railway rights, and to give intelligent warnings, based on knowledge and not conjecture, and possibly after a first or second warning an arresting or stopping power. I would in every case first undertake to cure the patient by mild means. If he would not be cured that way, then you might be more justified in trying allopathy on him.

Senator HARRIS. Would you require the approval or disapproval of the commission?

Mr. BLANCHARD. Not even the approval at first. I do not think that will accomplish anything, for reasons I will state a little further on.

#### REASONS FOR FOREGOING VIEWS AS TO DISCRIMINATION.

I want to state some of the further reasons why I hold the foregoing views as to actual discriminations. We will suppose there are three or four firms in Chicago, or any other city, engaged in the transportation of the same article, which we will suppose to be wheat, and they are shipping it to the same or various ports. It is well known that half a cent a bushel is a good margin on wheat, which is now loaded 600 bushels to the car, or say, \$3 a car. If anybody can get 50 car-loads a day at an advantage of half a cent in freight advantage over any other shipper or shippers, that makes \$150 a day profit or \$46,000 in a year, which would support a very reasonable firm as business goes now.

#### PREFERENCES SHOULD BE STOPPED.

A discrimination of that or any other considerable amount, therefore, by one line in favor of one shipper against another shipper by its own or a rival route, will inevitably, under the laws of trade, result in the ruin of one merchant and the prosperity of the other. This is the universal law of commercial survival. That preference, resulting in wrong or ruin, ought to be stopped. The railway companies ought to be first warned and then be compelled to stop it. Yet it is a fact that I state broadly, but regretfully, and one known to everybody, that there is not a board of trade in the United States, there is not a public trade body that I know anything about, having any direct relation to transportation, that does not seek to produce that identical class of distinctions. How? By stimulating railways to break their agreements on rates. There is no shipper in the United States to-day whom I know who regards it as a dishonorable thing to get a railroad to violate its equitable contracts with another company for equal rates; yet he would be branded for violating or procuring the violation of a like honorable contract with another merchant if it referred to any other transactions.



**EFFORTS OF BUSINESS ORGANIZATIONS TO PRODUCE DISCRIMINATIONS.**

The New York Produce Exchange cannot be induced to brand a man as unworthy its privileges if he is merely a railway agent who violates his contract; yet if the same man should, in his individual capacity, or dealing in grain or flour or pork, violate a contract with another member of the same board of equal equity he would be brought up and disciplined or perhaps expelled. Here is Mr. Sterne, appearing as the able advocate of the board of trade, which board is engaged in efforts which produce that discrimination which inevitably results from broken freight rates; that is why shippers try to break them. I mean, of course, to refer to these all bodies as of men in their individual capacities. I mean that if a farmer who is a member of a grange can get \$2 per car secretly rebated to him, he will do it although the grange may not do it as a collective body.

**ENFORCE RAILROAD AGREEMENTS AS TO RATES.**

The law frowns at a just railway agreement, intended only to maintain equitable, legal, and non-discriminating freight rates at points and destinations of competition, and argues that is a conspiracy against the good of the people of the United States. I would take the conspiracy out of it. I would prevent wrong going into it, or being in would take the element of wrong out of it, and then would protect such a contract like any other legal contract. After two or more railway companies had, under the operation of their rights, under the operations of law, under the operations of equity, under the operations of foreign and universal business practices, and under the operation of non-discrimination and non-extortion, fixed exactly equal and just rates from and to certain points, I would punish the railroad that either exceeded that tariff or reduced it. The public don't want it exceeded; why should the public as a whole want it exceptionally or preferentially reduced? A reduction goes like that other row of bricks I spoke of—to every other point all around the preferred neighborhood and in the end nobody gains.

**PENALTY FOR GIVING PREFERENTIAL RATES.**

If, therefore, in their own offices and in every public building at principal points in the United States, railway companies would exhibit their principal rates a few days, if you please, before a change—and, as Senator Miller suggests, they apply to international carriers as well, and to steam carriers by water—and adequate law then said that any carrier that violated them in any way should forfeit some sum to the party aggrieved, and be compelled to exhibit its preferential rates to a proper national tribunal, and this can be enforced, you will have a transportation peace and rest all over the United States. It would be better than any more detailed and intricate law that can be put upon the statute-books.

For greater illustration, take two stations ten miles apart; if at one point a rate is exhibited that does not bear a fair relation to the other, the shippers between those stations will drive from one point to the other, and find it out and complain. Railways would soon issue fair and equal rates, knowing they must be posted conspicuously. It would stop the greater wrong resulting from one man or firm or company getting a preferen-

tially less rate than another. No railway company should come here and complain against such a fair and public course in its general features, as far as interstate competitive traffic is concerned, where rates can be so adjusted and issued. I, of course, limit my suggestion to a certain number of important points and traffics. Take, for example, two little railroads crossing each other at a small point in Iowa. It would be utterly useless to attempt to compel those roads to publish rates from and to a total of hundreds of points in the East. I mean rates from those centers like the sea-ports, and the few important points which regulate the charges in the interior parts. It would, I believe, prove a simple and effective panacea to public as well as railway ills, which result from bad faith and preferences.

#### WHO ARE THE INVESTORS IN RAILWAYS?

Senator MILLER. You speak of the duty of the public to protect the investors in railways, as well as to protect the farmers or the manufacturers or any other class. Can you, from your knowledge, give any idea as to who the investors are, and whether there is any such thing as a special class, and whether or not the investments in these railroads which are now greatly depressed do not extend into every condition of life, among the manufacturers, and farmers, and merchants?

Mr. BLANCHARD. I believe the books of sound railway companies will show that about 80 per cent. of their bonds are held by a class known as investors and bondholders, and the remaining 20 per cent. are spread through small holders in all the avenues of life. To return to my former thought:

These are the suggestions that long experience has convinced me are wise in the adjustment of this question of rates between the public and the railways, and between contending carriers. The wrong which is done by the public bodies and inflamed and unintelligent public sentiment of this country in seeking to undermine the faith of one railroad company in another, in my judgment, much more than balances the good which people say at a flush comes from competition. Disastrous warfare, competitive bad faith, and concealed sharp practices are not competition any more than socialism is society. It will be said in reply that what I suggest is substantially giving the power of the Congress of the United States to indorsing and legalizing monopolies and pools. It is nothing of the kind, if you couple with it the warning and admonishing, and then the preventing, power of an adequate and just railway commission. It will be a just protection applied uniformly to a whole people.

#### RAILROADS EQUALIZERS OF LAND VALUES AND TAXATION.

It has been argued before transportation committees before now that the railroad companies having public rights, power of eminent domain, &c., should equalize transportation in the United States so that a man who produces wheat in Dakota could get it nearly as cheaply to New York as one who produces wheat in Michigan. In other words, the railway should not put at a transportation disadvantage the remote farmer. Although this view carried to extremes is impracticable and unjust, the railroad companies of the country have been the equalizers of United States land values and taxation, far more than any one or anything else. There have been brought into cultivation enormous quanti-

ties lands that a few years ago were waste, and would yet be waste if it were not for the railways.

On general principles, what right has a man living in the Genessee Valley to get his wheat to New York for 5 cents a bushel when a man in Dakota pays 30 cents, when neither of them contributed to build any railway? On general principles, if that 5 cents is unprofitable to the railroad, why should not the law recommend the increase of that to 8 cents a bushel, if and when a man in Illinois pays 20 cents? The answer to that is that taxation and proximity and railway cost and many other things ought to give the nearer man an advantage, and that the man in the West has his advantage in proximity to Chicago or Saint Louis.

#### A NATIONAL COMMISSION.

But look at it detached from all other considerations and as a mere question of transportation. If the Government provides a railway tribunal or commission that inflexibly requires the reporting of all interstate rates to it, and railways are watched, and admonished, and after the second admonition there is some power vested in them within equitable lines to stop unjust discrimination, it seems to me it would prove the quickest and cleanest way of stopping also injustice against localities. I am glad to have the opportunity to suggest so simple a remedy to the committee.

Senator HARRIS. Would you clothe the commission with any greater power than that of investigating, and admonishing, and enforcing?

Mr. BLANCHARD. The reason for my moderate view is this: You take the carriage of lumber in Maine and apply to it a law that may work well as to the transportation of oranges in Florida, and you will find it impossible to get along alike with both. To apply to the cattle of Wyoming the rates or rules of transportation that will answer for the silver-ores of Nevada, or the gold ores of California, would be unjust to one or perhaps both of them. Consider the thousand varied industries of the United States, with its changes of soil and climate, and its wonderful variety of productiveness, season, and conditions, and undertake any inflexible limitations or regulations of tariffs by legislation, and it would be as futile as it would be to undertake to legislate for the trade-winds. I do not see how it is possible to fix or regulate rates by Congress, unless you put the maximum so large as to cover the fruits of Florida, which would certainly be unjust to the grain producer of Illinois, or the iron-ore men in Pennsylvania. If you justify a rate that will pay on the valuable ores in Nevada, where there is nothing to produce but those ores, you are fixing an outside limit which ought not to be justified in the East on coal. So these illustrations could be multiplied.

#### DISCRIMINATIONS SHOULD BE STOPPED.

If, therefore, you cannot fix exact limitations, you can pass a law that a railway company shall not exceed its own published tariffs, in manner as I have stated, and shall not alter them in any way unless publicly and non-preferentially, either by classification, by differences of storage at terminal points, by concealed allowances of weight, rate, or drawback, by preferences in delivery, or the supply of cars. All those and other forms of discrimination which are known to railway companies ought, in justice to the public and to honorable railway officers, to be stopped. The power at least of appeal over those questions, I think, could be reasonably given within mutually just limitations on inter-state

traffic, to a railway commission formed of such men as the President of the United States would only appoint, and such men as the Senate of the United States would only confirm. But as to a confirming or supervising power over the rates themselves, it has been and is my judgment that if Congress will require the agreed rates to be reported to it regularly, and then stop preferences by law as I have indicated, so that Senator Harris in Tennessee, Senator Platt in Connecticut, Senator Cullom in Illinois, Senator Miller in New York, and Senator Gorman in Maryland, can each have opportunity to see or learn the manner in which his constituents are treated, not simply with reference to their own transportation by one line, but with reference to the transportation of other lines and forwarders from the same points through other States, with an annual tabulation and publication of those results, that course will in itself correct this matter.

#### ADMONISHING POWER GENERALLY SUFFICIENT.

It has been found in England and France, and in most foreign countries, that the simple power to warn (like the policeman who tells the tramp to move on), or any admonishing powers, coupled with reasonable power if admonitions go unheeded, will be found sufficient, pleasanter, corrective, mutual, and just.

The CHAIRMAN. It has been urged before this committee that there ought to be a commission or a special tribunal, and that that tribunal ought not simply to be given an investigating and reporting power, or even a little beyond that, but it ought to be created into a court, with absolute power to hear and determine cases and to fix damages and enforce its judgments or decrees. I would like to hear you a little further on that suggestion.

Mr. BLANCHARD. I have always argued, never having given especial thought to this view, that a tribunal of the kind you suggest has this public danger: that the average appointees upon such a tribunal as that are so far amenable to the local sentiment of the community in which each one lives, or to the general political pressure of the country—

The CHAIRMAN. I refer now to a national tribunal.

Senator PLATT. Which should be clothed with judicial power.

Mr. BLANCHARD. I did not before so understand you. Mr. Chairman, so far as any railway property was concerned, which I have ever aided to manage, I would not fear a judicial tribunal if it was clothed with such a power; if, for example, it found any rate to be unjust within certain fair limitations, it should have the power of arresting and putting a stop to it upon interstate commerce or of making awards for persistent wrong-doing. Let me illustrate: It might justly prescribe a local rate from Buffalo to New York, for example, should not exceed twenty-five per cent. above its pro rata of a through rate. I illustrate without committing myself to the figures. If some such general clauses as that could be provided in a law, and those reasonable clauses of a just law are found to be violated by a railway company in practice, I would give the tribunal the power after warning, of stopping preferential discriminations in interstate commerce contrary to such general law or awarding damages for violation.

As I said before, the class of people who would be appointed and confirmed (particularly if clothed with judicial dignity and removed from political desires by life tenures, so that they could treat railways fairly), would gradually become familiarized not only with this question locally, but with its national features, and year by year advise Congress

and the people as to just legislation that would be the result of comprehensive study and experience.

Senator HARRIS. If they had judicial power they would be appointed for life.

Mr. BLANCHARD. That would completely cover that view of the question. They ought to be appointed for very long terms, and if for life it would be much better. The importance of this transportation question, as affecting the great majority of our people, has never been exceeded by any question that has come before the Senate of the United States, and it should be treated with that vast national importance as well as national equity in view.

Senator PLATT. Permit me at some point to ask you a question. I do not wish to interrupt you.

Mr. BLANCHARD. If a judicial tribunal can be had with proper appointees in for a long term or for life, it would, in my belief, be safe and just for the public and the railways as well. Under those circumstances it would be just to give to a tribunal like that, adequate powers to properly prevent any injustice being continued against the public and to enforce a law and hear and determine the class of cases it would adjudicate. It is difficult to now specify the exact methods, but the just practice will come with just and adequate knowledge.

Senator PLATT. You were speaking of the difficulty of establishing tariff rates to be supervised by such a commission. Would not the commission consider the necessary difference of rates on oranges and ores and coal and lumber, &c.?

Mr. BLANCHARD. I quote from this circular of your committee in answer to your question:

By what method can a uniform system of rates for the transportation of passengers and freights, by all corporations engaged in interstate commerce, be best secured?

If a properly appointed commission such as you speak of was formed, all these various and unavoidable conditions of rates would be referred to it and be by it gradually taken care of. I have often argued in Washington that with our vast and complex varieties of grade soil, traffic, and climate a national commission can alone first understand and afterward regulate it; but it must be by general laws, and as Senator Platt well said, by considering just differences in rates.

Senator HARRIS. In fixing those rates, would you or not think it wise that the commission, if such a commission or court should be created, should either be consulted as representing the public (while the common carriers would be represented by themselves) originally in the fixing of the rates, or should have the power, immediately upon its being fixed by the common carrier, to disapprove, and on disapproval to annul the rates, or to approve them if they were found to be just and proper?

Mr. BLANCHARD. I think, if I understand you, you will find in practice great difficulty in doing that. Let me answer your question, first, by another suggestion. If such a Congressional law as I have proposed could be put upon our national statute books, to which an interstate railway injured by the unjust acts of a parallel railway could appeal as against that railway, as well and as easily as a shipper injured by the acts of one or more railway companies could appeal, so that the protection was of that uniform character to carrier and patron that I have suggested, then two executive boards or organizations would be the natural result: First, a united body representing the railroads, and second, under your suggestion, the united judicial or other body representing the Government. It seems to me that the good Senator

Harris has in mind might come from two ways; that is, by a member of the railway commission of the United States being deputed to sit with the railway or executive committee, and by a commissioner being received by the national railway commission, who might be a person to be nominated as one of its members by the railways. These two parties could thus authoritatively interchange information and argument before each other. The Government would have a representative accredited to it who might sit with the railway commission, and the railways would have a man specially known as representing their views before or as one of the Government commissioners. The practical and immediate difficulty I see in Senator Harris's suggestion is that unless it was very carefully modified and made very flexible, there would surely arise many necessities for the quick fixing of interstate rates by telegraph, growing, in some cases, out of calamity, such as yellow fever or cholera; second, from great storms; third, from sudden war news, such as we have recently had from Europe if confirmed, great distances as in Oregon and California, and the various contingencies and exigencies of national life and trade that would and should justly prevent the prior submission to the Government tribunal at Washington of the question whether any given rate was or was not approved. There are all the additional contingencies of illness and summer vacations and the absence of members of the national commission while investigating kindred questions through the country, and the difficulty of procuring knowledge or evidence, and many such things. In my view of the case, therefore, I repeat that if you will simply make this commission one possessing warning power, with positive power to correct wherever the discriminations are of such a positive and repeated character that they are judicially or substantially proved, then it will be ample. The mere fear that a police officer stands on the corner prevents bad boys from doing much wrong around that locality.

#### TENDENCY OF RAILROADS TO FAVOR THE PUBLIC.

You cannot find a railroad board of direction in the United States that desires or wishes to discriminate against the public. The whole discussion of this question seems to have proceeded upon the reverse of this fact and therefore upon an entirely wrong hypothesis. I never sat at a board table in my life where the entire drift of the proceedings was not in favor of doing the proper thing to the public if for no other reason than that it would prove the proper thing for themselves in the end. I have never seen a member of a board yet who sat there and deliberately proposed that his friend Mr. A. or Mr. B.—I do not say that there are not such boards—ought to have such and such preferential privileges at a certain station, because if he did it is probable that Mr. C. who sat upon the other side of the table, and had another friend in the same or a good business, would immediately ask for the same thing for his friend; and then the board would sit down on both. They very rarely consider such questions as a board, but leave them to a general and, I must say, what is intended to be, a just rule of action.

#### MANAGERS SHOULD NOT UNDULY FAVOR LOCALITIES.

Senator PLATT. It is charged that in certain parts of the country, say in the far West, without specifying, the people who are interested in railroad management—railroad directors—are also interested in the building up of a town at a certain point, having purchased land there,

and that they have given exceptionally low rates for the purpose of diverting business to that point.

Mr. BLANCHARD. I qualified myself by saying there might be such cases. It seems to me that no board and no member of a railway board can justify them, and the mere statement of your suggestion carries the answer that it ought to be regulated or prevented if a wrong is done or intended.

The CHAIRMAN. Let me ask you a question on the same line, in reference to a commission. It has been said that in a State (take, for instance, the State of New York), the influence of public sentiment in favor of the judgment of the commission that a certain line of policy ought to be pursued by a railroad, was sufficient to force that railroad to comply with what the public sentiment said was right; but that that same rule would not apply to the influence of a national railroad commission on account of the large extent of the country, and the little interest, perhaps, that anybody would take in any personal grievance in California or any other locality outside of his own. Therefore, it has been urged that a special tribunal or commission ought to have those absolute powers to enforce their decisions. Do you, or not, believe that a commission, if one were created, without those powers would be of any substantial benefit?

#### PUBLIC SENTIMENT ACTING THROUGH COMMISSIONS.

Mr. BLANCHARD. I think that anybody who said to you, that such a commission as I have named would not do practical good, had never been engaged in the practical management of a practical railroad, or that he greatly magnified the nebulous ogre of monopoly. I have had talks with members of the New York State railway commission as to the effects of its appointment, and to illustrate what I have said before, I think that during the entire time from the appointment of that able commission to the time I left the Erie Railway Company, if my recollection serves me accurately, with a single exception of the rate of classification charged upon flax-seed, not one other traffic complaint ever came to the officers of that company with reference to the transportation charges of that great line, involving seventeen branches and over two hundred stations, and a multitude of interests. Calling our attention to this flax-seed rate could have but one of two results. Either we would maintain ourselves as being right, or else we would frankly acknowledge ourselves as being wrong. There was not and cannot be many, if any, middle courses about it. I think that having reference to all similar questions which railroad companies are asking of the Government, for example, the bonding of freight, the transportation of mails, and all these questions that are coming up, the Government finds no such difficulty and the railway no such independence as you suggest, and that the further voice of the Government in this question would be quite as potential as the voice of the State. It would be greater on interstate commerce, because it is the only power that can regulate it; therefore its voice would necessarily be the potential and heeded one.

The CHAIRMAN. Without absolute power?

Mr. BLANCHARD. Yes; except in extreme cases of unjust discrimination, which I think should be regulated and operated by law in some such manner as I have suggested. I think the power of enforcement should be given in those cases to the commission. But if you get such an intelligent body of men as you would only confirm in the Senate, men who are anxious to do the right thing in the broad sense, and they made

recommendations annually to Congress that they did not find their powers adequate to protect the people, it would certainly be in the law of legislative precedents that this commission would go on securing increased powers instead of lessening them.

#### ABSOLUTE POWER OF ENGLISH COMMISSION.

The CHAIRMAN. That has been the history in England, has it not?

Mr. BLANCHARD. Yes, sir; uniformly.

The CHAIRMAN. I believe the commission there has absolute power.

Mr. BLANCHARD. Yes, sir; within general and legislative limits.

#### LEGALIZING OF RAILROAD AGREEMENTS.

There is another view I urge upon you strongly upon the basis of the English clearing-house. That is, that when the executive committees of the trunk lines and the associated railways of the United States may, within the legal and just limits of their rights, fix equitable railway rates and conditions, that any such agreement among them should have the sanction and force of law. The actions of the English board of trade and of the clearing-house in London, are such that the latter has a recognized standing in law. It can sue and be sued.

The railway pool in the United States is on the contrary regarded by most of our writers on political economy as the enemy of the good of the people. It is intended to be just the reverse. It is regarded by its adversaries as an attempt to build up a monopoly and enforce its arbitrary decrees. On the contrary, I exhibited in a pamphlet I wrote, called "Traffic Unity," the enormous reductions that had resulted. I showed that the combined trunk-line business westward from the sea-board had increased as seven was to twelve, and that the rates had gone down to an almost equal extent, owing to the operation of the identical scheme of unity against which the opponents of railroad companies are arguing.

#### PRACTICAL OPERATION OF POOLING ARRANGEMENTS.

Senator PLATT. I would like to hear you on the practical operation of the pool.

The CHAIRMAN. Will you furnish me, or some member of the committee, with a copy of that pamphlet that you last referred to?

Mr. BLANCHARD. Yes, sir; "Traffic Unity."

Senator PLATT. I think we understand generally what the pool is; but you might give us some illustrations of the practical working of it which would be new to us.

Mr. BLANCHARD. I will be glad to do so. The proposition was and is this: That every great community, like the city of New York, is much better served by four railroads acting as a unit than it could be by four railways acting as competitors and rivals. In other words, if I was engaged in the transaction of any business at any point in the city of New York and I went to the New York Central and found it had been injured by a flood or any disaster, or had inadequate facilities in emergencies, and I could go freely and equally to three other railroads I would be benefited by that ability. If anything happened to the railroad I had been accustomed to use, I could go to another and find its feeling to me friendly, its rates equal, and that it desired to help its rival's patrons as well as their own.

Senator PLATT. Like doing business with one bank in a town.



Mr. BLANCHARD. Yes, sir; exactly the same thing as in getting discounts. The railways said that this question was too broad to be dealt with in any exclusive or single line spirit, and that the railroads ought to unite in doing business for the general and whole public on equal and non-discriminating terms as to rates or patrons, and that as proof of that good faith to the public there ought to be no change of the through tariff rates. I instance this pool, because it is the principal pool of the country, and covers more tonnage than any others. The shippers of New York had given their traffic voluntarily to these four different rail lines during a number of years in certain proportions. During those years they had been perfectly free to choose the route of A, B, C, or D, as they saw fit, and each railroad vied with the other to present the best facilities at favored or favorable rates. The forwarders had with this optional power during that period given the railroads certain fixed proportions of tonnage.

#### FORMATION OF POOL.

It was proposed that these data should be substantially used in the formation of this pool. We met for the purpose and those statistics were exhibited. It was then proposed and agreed that the westward traffic be divided according to those statistics within 1 or 2 per cent., and the pool was so formed.

The central idea as to the division of tonnage was that if any shipper gave the Erie Company his traffic, and if that traffic was in excess of the Erie's just and due proportion, as before shown and given it by the shippers themselves, there ought to be conditions under which that or an equivalent traffic could and should be transferred to another line, equally good, under equal protection, and under an uniform bill of lading. For the purpose of breaking down the arrangement, however just to the railways and the public, there would always be found boards of trade or shippers who might concentrate their traffic upon a certain line to get lower rates, and litigious persons who would try to break this unity in various ways. It was repeatedly undertaken, and has in part succeeded. That is the whole plan of the formation of that pool.

It was found to create dissatisfaction that certain goods were delivered at Chicago by the Fort Wayne when they ought to have gone in by the Michigan Central, and it was agreed that, although they might be diverted at the point of shipment, they should go to the point of delivery by the route most accessible to the shipper.

A uniform bill of lading was discussed and agreed by the counsel of the different companies; and within the rights, as I believe, of the railway companies, differential rates were proposed to be established—they never were—by which a party might have the option of all the routes to choose from for say 85 cents, while the railroad companies would agree to carry his goods for 75 cents if the railways were given the right to choose the routes. As a matter of fact, this pool has been, in a great many cases, of the greatest value.

For example, a great flood near Toledo delayed or ruined a lot of goods that I do not believe under ordinary circumstances the railroad companies would have been responsible for. The railroad companies paid those losses, and in the great strike in 1877 the advantages were shown. The railways sought to serve the public with a united system of railways, covering 4,000 miles of trunk lines, instead of with one railway having but 1,000 miles. In carrying out this intent each railway company sent one representative to a central office to assist in the

joint deliberations. Questions were there brought before them as to making and changing the rates, the routes, foreign through rates, the uniformity of classifications, and the receipt and delivery of property, and kindred questions, such as I have discussed before, of discriminations, foreign imports, and everything associated with the competitive traffic of such great lines. Under the direction of that executive committee, as I have before stated, business increased and the rates have gone down.

#### CAUSES OPERATING AGAINST THE POOL.

But, owing to the fact that the principal railway companies could not control certain intermediate inland links, and because new roads have been built, and because men will deceive each other, the pool has been weakened, and confidence in its good has been hurt. The Erie Canal has been made free, the Welland Canal has been enlarged, the Grand Trunk Line of Canada has improved its line, new railroads have been built everywhere, the Southern States have become stronger, and the combined rail lines across the South been able to carry to and via Southern ports for cheaper rates, and the operations of the Government in helping the water routes by large appropriations, as at New Orleans—all those, as well as bad faith among the railroads themselves, have prevented the pool from properly fulfilling its just purposes, as in the public interest, as well as the railway interests, it ought to do and be enabled to do, lawfully, properly, and by justly organized and administered methods. It should be fostered and sustained by a just public sentiment as a breakwater against much impending bankruptcy and ruin that will come, and come soon, unless it or an equivalent is adopted and maintained. If the equality of just rates can best be sustained by a pool, what can be objected to in it that will not be opposed to the maintenance of any rates by any form of organization, and organization they must have?

Senator PLATT. Do you believe it is possible for a pool ever to accomplish the results which it is intended to accomplish?

Mr. BLANCHARD. I think it is; clearly.

The CHAIRMAN. Without law?

Mr. BLANCHARD. Yes, without law; but I think it would be a great deal better and for the interests of the public if the law recognized, approved, and sustained them to a proper extent. A prominent example of the effect of just pools is that no part of the United States has increased with the same wonderful rapidity in the same number of years as has the country between Chicago and Omaha and Saint Paul. Its growth is proverbial the world over. The unified system of roads represented by the Northwestern and Rock Island, Chicago, Burlington and Quincy, and Chicago, Milwaukee and Saint Paul Railways has been for years governed by an honorably-maintained pool in the main, yet the rates have averaged, say, 50 per cent., and in some cases 100 per cent. higher per mile west of Chicago in this pool than east of Chicago with or without one.

#### ENGLISH POOLS.

Senator PLATT. Is the pool system an American feature, or has it been tried in other countries?

Mr. BLANCHARD. About 1856, no less a person than the present English prime minister, Mr. Gladstone, was the commissioner, so-called,

for what was in effect a pool between London and Liverpool; and he made the award by which the three great lines between those cities, as there were three at New York, divided their business in fixed proportions between London and Liverpool and Manchester and intermediate points. It was then regarded in England by the public and the railways, as it was in the appointment of Mr. Washburn and Mr. Thurman and Mr. Cooley as commissioners for the settlement of the sea-board questions here, that even if it was outside of law it was greatly to the interests of the public and the railways in securing stability and uniformity of charges. I think Mr. Gladstone's award was for twenty years.

Senator PLATT. Was Mr. Gladstone appointed by the railroads or by law?

Mr. BLANCHARD. I think his appointment was by the railway companies, but concurred in at least tacitly by the board of trade. I think it was provided by the railways that some one should be appointed who would be acceptable in representing both the public and the railway interests, and it ought to be the case here in cases where public rights have become greatly involved. I have not much more to say on these points of discrimination, extortion, and pools except this: If it is desired and ruled by law that one railway should or shall maintain equal rates to all its patrons operating under like conditions, why should not the law equally and impartially decree that three or four or more railways shall in like manner observe and maintain equal rates to all from the same points? What is the public or trade justice or utility in permitting say four railways to make four different sets of rates, while denying the same privilege to one railway, when the result is precisely the same to the public. *Ergo*, if you demand that one interstate company shall observe equality in its rates, what wrong can ensue from compelling by law three other companies to issue, observe, and enforce the same rates between the same points on the same articles? This is the essence of pools, and no more; and it is equally the essence of good railway and public sense when it is properly understood and enforced.

#### RAILROAD CAPITALIZATION.

Senator PLATT. Permit me to ask you another question. There is one fundamental problem that I would like to hear you upon. The railroads have been capitalized in a great many instances, perhaps in almost all instances, at a sum exceeding their cost, and probably their real value. There have been a great many competing roads built that have been capitalized in the same way. The result is, that to sustain all these roads the public has to pay very much higher charges for travel and for freight than it would have had to pay, or ought to pay, to enable the roads to realize interest and dividends on the cost and value of the road. Now, that condition of things existing, what is to be done? Are the weak roads and the needless roads to go to the wall, or are all the roads to be supported by the public? Is there no way of preventing that thing in the future? Do you get my idea?

Mr. BLANCHARD. I think I get your general idea. Your suggestions lead my mind to another theory which I see is receiving some attention and is copied from English precedent and justice. The laws of the United States and of the States have encouraged the building of parallel roads. It is possible under our very inadequate legal systems for a party of gentlemen to get together, file a location at a very small expense, to build a railroad that may not be needed, alongside of one that is furnishing the public with excellent facilities at fair rates. There ought to

be some way of deciding if it is needed, or of confirming the purpose to build it, or putting its building under just limitations. There is no railroad built in the United States that is not the creature of the law, built under the laws, and they are therefore entitled to the protection of the law in their rates, which are the essence and purpose of the law and their builders. After being so legally built the leading railroads have from time to time gone on increasing their capital, most often necessarily and justly, sometimes unnecessarily and unjustly. I think there is nothing more unjust to the railroads of the United States than the constant iteration of the erroneous and mere assertion that the public is compelled to pay railways rates upon "swollen," "inflated," and "watered" and "fictitious" capitals. Take, for an example of my meaning, Mr. Thurber.

#### F. B. THURBER AND RAILROADS.

He came from a town near the Erie Railroad, and put a small amount of money into a grocery down town, where I am happy to hear he has reaped an independent fortune by energy and accepted business methods. If he had put the same amount of money into the securities of any railway running into the city of New York he would more probably have lost what he had, and would have been a clerk perhaps in some grocery. Is there any good reason why the two forms of investment should not be equally profitable and proper? They clearly should be so, for the railway proprietor takes the greater risk. If the States and the General Government, instead of fostering the unlimited building of railroads, by which ruin is brought upon many merchants, through transportation fights and discriminations, as well as upon investors, will say, as the English Parliament does, "You must reasonably satisfy a just tribunal that there is a necessity for new roads, which not being proven then construction shall be restrained; but in exchange for so protecting you we will devolve upon ourselves, and you must concede, our right to see that your rates are equitable and non-discriminating;" I believe any railway in the United States will then be glad to exchange such conditions. But when it is possible for a knot of gentlemen to get together after dinner and put up say \$1,000 apiece and get a charter and file a location and record a map and do wrong to long-established lines, then the new road should be built under strongly protective and beneficial public and railway conditions, that will not hinder their good and prevent their evil. Where a pioneer railroad was built in the time of a State's necessity, or of the nation's necessity, and which did not pay for years, I think the conditions are wrong and ought to be rectified, which encourage by law an unjust system of rivalry or an ultimate purpose inconsistent with the public interest and the rights of the first comers.

#### THE NEW YORK CENTRAL CAPITALIZATION.

To answer your question more directly, those early roads were capitalized under cheap conditions as to labor and material, and from time to time their capitals may have been increased. In the case of the New York Central Railroad, for example, it was originally a lot of patches of small roads extending from here to Albany, from Albany to Schenectady, from Schenectady to Utica, from Utica to Syracuse, from Syracuse to Auburn, from Auburn to Rochester, from Rochester to Attica, from Attica to Buffalo, and from Buffalo to Niagara Falls. I think I have stated the number of lines there were originally, and each one

was authorized by law to charge its own local rates. When that route opened through, but as separate lines, the first-class passenger fare was \$20 from Albany to Buffalo; it is now \$9, as the tariff, but 4.50 as the actual rate from New York, 150 miles more, with all the so-called watering of stocks. Each person is to-day, notwithstanding the increased capital of these roads, paying less to get his products or person moved at each and every point between New York and Buffalo than each person paid when the road was first built. Taking freights and passengers, it does not average one-third as much. There is not a ton of freight that pays to-day one-half as much as was paid for a ton at the time these railroads were built, notwithstanding its watering, yet for most of the other needs of life they probably pay as much or more. There is not a single charge of any kind made by that railroad or any link in it to-day which is the equal of what the State justly authorized before it could induce capital and brain to build it.

RATES REDUCED NOTWITHSTANDING INCREASED CAPITAL.

It seems to me, as in every other trade avenue of life, that if that railway company procured from the State a good charter (which is in effect and without sophistry the contract of the State, over its seal, whatever may be the nice distinctions of law), and they have voluntarily and continually gone on reducing all their charges to the people of this and every other State of the Union, and to the Government for its mails, troops, and supplies, the mere fact that it now pays more or less upon more or less capital is one that ought not to be seriously presented before this committee, as argument for still farther restrictions against it and has no bearing in any broad view of the question.

Senator PLATT. But ought not people to share with the road, to say the least, in the advance in facilities?

Mr. BLANCHARD. I have just stated, for example, as in the cheese case on the Erie road, how largely the people *have* shared in their economies of facility by the difference between \$1 and 20 cents, and in the reduced passenger and freight fares on the New York Central. This thing of sharing I quite agree with, if it were reasonably possible; and I quite agree that the public is entitled to fair sharing. I have demonstrated over and over again that the public has most greatly shared; that farm lands in the Genesee Valley have gone from \$50 an acre to say \$150; that the products of the Genesee Valley are being carried from Rochester to New York for one-fourth of what they first were by rail, and that real property has gone up everywhere on those lines in enormous ratio because those roads are there. In other words, the people have shared and shared most liberally. The railroad companies have gone on sharing their prosperity with the people, but the people have not shared as liberally, if at all, with the railroads.

Senator PLATT. Do you hold that a railroad under any circumstances should be permitted to capitalize at or to make its capital more than the cost or value of it?

Mr. BLANCHARD. Not more than its value; but what is its value? It is not merely its cash value to its owners, or what it would cost to replace it, but it is its good will, and it is the value to the public. You have asked the most difficult question that can be asked, perhaps. I cannot, in brief, see any state of affairs that looks to me to be just that denies to the investor in a railroad the benefits that the same investor would get for the same money equally managed in private enterprises, both being surrounded by the safeguards and the protections of law.

•Senator PLATT. When the country has a boom, as it is called, the railroad companies say they can earn 10 per cent. on a certain capital, and they proceed—I do not say they do, but I suppose they do—to make their capital what, in those favorable times, they can earn a dividend upon. Then comes a depressed condition of business, and the people, if the railroad gets its dividends, are still obliged, on a reduced business in those depressed times, to pay enough to enable the railroads to reap the dividends on that large capital.

Mr. BLANCHARD. May I ask a question?

Senator PLATT. I am afraid we shall get into trouble if you ask questions.

Mr. BLANCHARD. Do you know of a railroad where it is built upon the state of facts indicated by your question?

Senator PLATT. I know that it is charged.

Mr. BLANCHARD. I quite agree with you that it is so charged, but it is not true anywhere. It is a favorite charge; and it has been particularly repeated in this State as against the New York Central Railroad; and that is why I chose that great line to illustrate my replies.

Senator MILLER. You have advanced the idea, or it has been advanced here by some one, that a proper regulation of railroads would be to give each its field and prevent competing lines, and then that the Government might and should properly exercise control over the charges of the railroads.

Mr. BLANCHARD. I think so, speaking generally.

#### BASIS OF DIVIDENDS.

Senator MILLER. The standard which the Government is to take to arrive at what a just rate would be under such circumstances, must be based upon what? Is it not to be based upon the actual cost of the road?

Mr. BLANCHARD. No; not upon the cost of the road. I do not see why the Government should interfere with or discuss the cost of the road. If the New York Central Railroad, for example, was built from Ninetieth street to Thirty-fifth street in this city, at a time when you could buy rails for \$50 a ton, and you could get labor for 20 cents a day; and rails go up, as they did during the war, to \$125, and labor to \$1.50; and between Ninetieth street and Thirty-fifth street every house and piece of property and everything on that street has trebled in value, and every man who owns property there increases his charges for stores, stables, dwellings, factories, pleasure resorts, &c., to get just and adequate returns on that increased value, I do not, I say, see why some part of that same increase should not inure to the investor in the railroad in the same street simply because he did not invest in the lot of ground, but did in the railroad; and why he should be denied both increased income and any increased capital stock, particularly when taxes, as the barometers of public values, are increased against him.

Senator MILLER. Then if you give the railroad the right to issue its stock at the increased value which comes out of high times, what are you to do with your capitalization when things have gone back to the original price?

Mr. BLANCHARD. Then the investor begins to suffer because his property, like the building or lot, shrinks with them, but the amount of the par of the stock he holds makes no difference. He gets less for it and less on it.

Senator MILLER. Nevertheless, will he not then attempt, and does not the railroad attempt, to earn dividends upon its entire capital?

Mr. BLANCHARD. It would naturally make every reasonable effort to that end.

Senator MILLER. Therefore, is it not, at that time, unjustly charging the people for doing its business?

Mr. BLANCHARD. If a railway unjustly increases its rates during this time of depression in order to make the public pay so much that the railway shall not feel a general depression, but adds to the burdens of the people by excessive charges to keep up its dividends, I say that such would be a perfectly legitimate subject for the Government to examine and put a stop to. I have never known a case of that kind in my life, and I venture to say one cannot be quoted.

Senator PLATT. That brings us back to the question I tried to get an answer to awhile ago. The railroad companies are enabled to reduce their rates by reason of improvements in their roads and in the manufacture of machinery and a great many other improvements which railroads introduce. Ought not the people to share largely in those improvements, or do you think they ought to inure entirely to the benefit of the railroad companies? Is it fair to say that so long as they do not increase their rates the people have no reason to complain, although the railroads are making money enough to pay dividends on a very large capitalization?

Mr. BLANCHARD. I cannot see, if the public is not charged an extortionate or exorbitant rate as judged and limited by all fair standards, that the people should have the right to continual reductions in rates, and that the railway should never make or keep the money it finds a new way to save. In all other trades that benefit inures mainly to the saver.

Senator MILLER. You say an "extortionate" rate. That brings us back to the standard question.

Mr. BLANCHARD. That is always the difficulty with these revolving questions.

Senator MILLER. That brings us to the question whether the people, through the Government, giving the railroad the right of eminent domain, and giving it the right to engage in a public business, are not always entitled to have their freights and passengers carried at such a rate as will pay only a fair profit upon the actual money invested in the enterprise. We come now to the original charter of the New York Central Railroad Company. Evidently it was the intention of the people, acting through the legislature, to provide that the New York Central Railroad should never earn more than 10 per cent. upon the cost of the road, although the charter may have been bunglingly drawn in expressing it. Evidently the people started out with the idea that they were granting a great right to the corporation, and they limited the earnings of the road, or its dividends, to 10 per cent. The road having doubled its stock, of course it has to make a much larger charge or do a much larger amount of business to earn the 10 per cent. upon the increased capital than it originally did. My question finally comes to this: Is not the only proper standard for judging of the rates which should be charged a fair rate of interest upon the actual cost of the road, it being a public business and not a private business, as to which we need not stop to discuss?

Mr. BLANCHARD. I do not think it is. I do not think, as I have said, that merely because a person is engaged in the construction of a railroad he should be denied the increase of value that would have accrued to him in every other form of investment, if he puts the same amount of money in anything else and manages it equally well. I do, however,

believe that there should be a reasonable rate always—reasonable to the railways when they get too low—reasonable to the public when they get too high. I favored the appointment of our State commission for one reason, to let them learn to know what a reasonable rate was or should be. The word “reasonable” is very wide.

It includes all the questions substantially that you have asked or can ask, and there is not one of them that ought to be ignored or answered lightly in discussing this great question.

The State ought to have a supervisory right, advisory rather than mandatory; but to say that a man who put his money into the New York Central Railroad stock at the time of the construction of one of those branch lines should be limited to 10 per cent., when every other form of investment in the country has gone on increasing manifold, and he has, as a stockholder, aided and operated and sacrificed to reduce the burdens of each person, and help *their* gains, is, in my judgment, repugnant to sound justice and right.

#### POWER OF EMINENT DOMAIN.

Touching the power of eminent domain, I think it is too much dwelt upon, and does not justify all it shields. It is simply the right to take the necessary property for an enterprise intended for the public good, away from an obstreperous person who will not take a fair price or profit, or who is hired to stand in the company's way. It is taken for the benefit of the public more than for the railway. I concede, however, coming back to our main subject, the public right, and have always done so, to have a voice in this transportation question. I think, in other words, as you suggest, that if, instead of this bungling legal language in most charters and laws as to railways, it had been provided that the parties should never have to exceed 10 per cent. upon the current values of their property, which valuation should be settled so and so by law, that would have been more just, but it would then have been inadequate to many just conditions.

#### RAPIDLY CHANGING CONDITIONS OF COUNTRY AND RAILROADS.

I believe that in seeking to control the railroads in their conditions and rates, if legislators will at the same time seek to correct those injustices that have crept into their charters, you will have less difficulty. The railway, as well as public conditions, are rapidly changing in a country like this, where emigration and growth enormously affect values in every way in every decade. If a little more foresight had been or could have been used, and clauses had been put in requiring the just submission of proper public transportation questions to proper tribunals, a great many of the difficulties of this case on both sides would have been obviated.

#### INCREASING CAPITAL STOCK TO COVER INCREASED VALUATIONS.

Senator HARRIS. If I understand you, you hold that when a railroad has been constructed at a time when rails could be purchased, say, for \$50 a ton, the actual cost of the railroad was fixed by those general considerations, but all the circumstances that entered into the general construction having increased in value, iron rails having gone up to \$125 a ton, and labor having gone up to \$1.50 a day, and the company having become prosperous, you hold that it is proper and legitimate



that the railroad may increase its capital stock to cover the increased valuation of its property. Am I correct in that?

Mr. BLANCHARD. Yes.

Senator HARRIS. Assuming that to be correct, suppose the period of prosperity to have passed away, and depression, panic, and financial distress pervades the country; suppose that labor has fallen from \$1.50 a day to 90 cents or 80 cents a day, and steel rails have gone down from \$125 a ton to \$50 or \$40 or \$30 a ton. Your capitalization, however, has swollen by this increase. Do you hold, in that condition of things, that it is legitimate for a road to fix its tariff of charges during this period of depression so as to pay dividends upon that increased capital?

Mr. BLANCHARD. Oh, no, and I thought I had so explained. I would stop, by the very national commission that you are proposing, if need be, although I am sure it would not, the enlargement of rates for the purpose of doing any such thing. But that stock and those bonds, having under the operation of law become lawful issues, and having passed into the thousands of channels from which they cannot be recalled, and having equal lawful protection one share with another, and it being impossible to separate what was the original stock and what was the new, it is all entitled alike to legal protection. It could not, therefore, be reduced, except by the voluntary operation of the shareholders or by bankruptcy, for which the law generally makes adequate provision.

Senator PLATT. Why not? If the company capitalizes during the period of high prices, and you may say inflation, upon the theory that it is fair that they should earn money enough during that period to pay dividends on the increased capitalization, why should they not be compelled, when there comes a period of depression and falling prices, to reduce?

Mr. BLANCHARD. I do not see that the amount of the share-capital or of the bonded debt of any railway company has any essential reference to this question. It is the carrying charges which the public pays that we are looking at, and in which lies the justice or the wrong.

Senator MILLER. I premised in my question the statement, and you assented to it, that the railroad company would attempt, in so far as it could—of course being controlled by the business of the country—to charge such rates as would pay a fair dividend upon its entire capitalization.

Mr. BLANCHARD. I think the tendency is in that direction, if the fact is not, and that is why I say I think fair legal safeguards ought to be thrown around it. The Erie Railway is capitalized in its last reorganization at \$185,000,000; but that fact has not increased the charges of one single patron on the line of that road on any article by a single cent.

Senator PLATT. If it had not been increased would those charges have been affected?

Mr. BLANCHARD. I think not, and I cannot see how. Anyway, the present result is that they have not increased their charges. All their charges are limited by law, and by the rivalries of other railroads in other States, and by water, as before shown. But to arrive at the result you suggest—that is, the attempt to enforce against the public excessive rates which shall pay the same and continuous dividends upon a continually enlarging capital, if you please, which capital might have been just when it was issued and might be unjust to-day—there ought to be a limiting power which will prevent the railroad companies from doing that thing for that purpose. In other words, and for example, I think

the public has an equitable right to say that the rates of any given railroad ought not to be maintained or increased so as to pay 10 per cent. on fictitious values when the public are living on 2 or 3 per cent., and business is in panic or distress.

#### RATES THE CONTROLLING QUESTION.

The controlling question, however, lies in the rates. They are the meats in every transportation nut. It is almost impossible to recall the issues of stock which have gone out, and the cure for the wrongs surmised must be in the rates. The New York Central road, for example, is running down its dividend from 8 per cent. to 3 per cent. or 2 per cent. It has not succeeded, despite all its efforts, in getting the same rate of dividend, under the present depressed business and competitive conditions, that it had before; and its rates are continually going down. A part of that is voluntary, and a part is not. So far as it is voluntary it is perhaps to the interest of the public. So far as it is involuntary, and the result of injudicious and wasteful rate contests, I think the contest is doing great harm over all the good. I think the attempt to maintain excessive rates that will sustain enormous charges upon unjustly enhanced capital is something that ought to be put in the hands of the tribunal you are seeking to establish, with proper power, but why should not such a tribunal aid to sustain remunerative even and equitable rates, if it seeks to repress and reduce those that are extortionate, excessive, or discriminating?

#### REASONABLE REGULATION BY GOVERNMENT.

Senator PLATT. Leaving the question of increased capitalization, and the present system of building railroads and capitalizing them at vastly more than their cost, if they have been built for money, and honestly built; suppose that a new railroad is to be built down in Texas somewhere, and built after the usual system of issuing first and second-mortgage bonds and land-grant bonds (if they have a land grant) and income bonds and stock, so that by the time it is built it is capitalized for twice or three times what it would have cost if it had been built for cash, would it not be right for the Government so to control the charges for freight and passenger travel that that road should only be able to earn dividends on what it ought to have cost if built honestly and for money?

Mr. BLANCHARD. I think that so far as the Government can control, it ought to be reasonably regulated. I share with a great many of the fairer objectors to such methods in unnecessarily increased first capitals, and all the commissions and inside bonuses and arrangements so far as they have been the unjust riders of railway bonds and shares.

#### RAILROAD MANIPULATORS THE CAUSE OF EVIL PRACTICES.

There is no doubt that they have been an evil. They have produced artificial financial conditions, and financial immoralities resulting in poor roads, foreclosures, and high capitalizations. Many such things have been done which I think unjustifiable. I think if the Government will take hold of these questions whenever its interests and powers become properly involved, and require the financial scheme or plan of a company seeking its charter to be submitted to the proper representatives of the Government; for example, to such a tribunal as you propose, and before its char-

ter is issued and require that such tribunal should confirm it, I believe that would go a great ways to put a stop to troubles of this class. By reason of excessive discounts on bonds and profits put aside to syndicates and promoters, the charges to the public may have been increased; but I think Government, instead of finding fault with such things after they have been done, ought to put just and equitable, but protective, clauses in any charters it grants or administers. So ought the States to do occasionally.

#### EVILS ARISING FROM CRUDE LEGISLATION.

The difficulty about these things is that they have grown up as much through the crudities of legislation as from intent or wrong purposes. One line of railroad runs up to its State boundary unlike its parallel road which may be all in one State or Territory. A road, for instance, goes up to the New York State line and crosses over into Pennsylvania or from Indiana to Ohio. Whatever a road intends to do may be concealed in its action or charters from one or the other of the States. In those things Government would be justified to step in properly and require the submission of the financial scheme if it attempts to regulate any feature of this question.

Senator HARRIS. That looks to the future.

Mr. BLANCHARD. Yes, that looks to the future.

#### EFFECT OF POOLING.

Senator HARRIS. Take the present. I understood you to express the opinion that the pooling system has been beneficial to the public?

Mr. BLANCHARD. Yes; it has somewhat; not as much as it should have been. But in its scope it was intended to be beneficial both to the railroad and to the people.

Senator HARRIS. Am I correct in understanding you to express the opinion that the pooling system should be legalized and encouraged?

Mr. BLANCHARD. Yes, sir.

#### SHOULD PARALLEL ROADS BE PERMITTED?

Senator HARRIS. I wanted, from that standpoint, to propound a question, based upon things as they now exist, and not upon what should have been, or what we shall have in the future. You have the New York Central now in existence, and it has been for many years in existence, furnishing ample facilities to a very large scope of country. I understand comparatively recently the West Shore Road has been constructed. That is a parallel road, and is competing, to a large extent, for the same business that the New York Central road heretofore enjoyed. When you make a pool, if I understand its business, it is to secure transportation facilities to the public at reasonable rates, and to secure also a reasonable profit to all the carriers who compose that pool. Now, if the West Shore road was not a commercial or public necessity, and was built by its projectors as a matter of speculation, as a competing road, not demanded by public necessity (and though the West Shore road is taken into the pool with the understanding and for the purpose, to be sure, of furnishing the public with ample facilities, but facilities on terms that will pay a reasonable profit to that unnecessary road as well as to those thoroughfares that were necessary to the public), is there any justice in so fixing rates that they will enable

the pool to pay a fair and reasonable profit upon the unnecessary speculative investment that was made in the construction of the West-Shore road?

Mr. BLANCHARD. I might answer that, perhaps, logically, by saying that if the law, which is the voice of the people of the State, built that West Shore road, and the State thought it best to have it built, the State has no right to attack the values of the New York Central road, and ought to pay for its folly (not that of the railway) in building that parallel road. That might be an ultra-logical answer. But I do not go that far.

Senator HARRIS. That answer assumed it had been encouraged or invited.

Mr. BLANCHARD. So it was.

Senator HARRIS. Is not the effect of your law simply to grant authority?

Mr. BLANCHARD. No. I think the law promotes this wrong result. To answer you specifically, however, the West Shore road was taken into the west-bound freight pool at the time I was connected with the executive committee. Not a rate was increased when it was installed. Out of the twelve and one-half or thirteen millions of tons of the Erie transportation last year, only 85,000 tons came within the operation of the pool joined by the West Shore westward, and the West Shore road was given a share of the business of the city of New York westward only and without any increase of rates by any route. The traffic rate for dry goods is, for example, established at 75 cents per 100 pounds from New York to Chicago, a moderate rate, to which I never found a shipper object. The rate was not increased for a moment. Not a single former rate was increased beyond the standards previously established. The West Shore Company did this, and the Lackawanna did the same thing. Both were newly opened to Buffalo. They had no old Western connections, no through transportation friends, no through patrons, in the sense that the older lines had continuous shippers. They immediately went in and made over two thousand special contracts to compel public or pool recognition or both.

#### COMPETITION TO SECURE BUSINESS.

Senator HARRIS. Of what character?

Mr. BLANCHARD. Different through shippers were seen or notified to this general effect, "you are put down by this railroad at a special rate of so many cents per hundred pounds to Chicago," or wherever they resided. The result was that instead of undertaking to maintain the same or a higher rate, with an increased number of railroads built, and millions more of capital invested, precisely the reverse was the case. They had to procure shippers, and took this not unusual method to do it. A rate was thus made which was say 15 cents per 100 pounds less than the old companies had been charging. What was the result? Necessarily the very discrimination which a Government tribunal such as you are discussing, ought to aid the railways to avoid. That is, a man shipped his goods from here to Chicago for 65 cents by one line and 75 cents by another. In the end, as I illustrated before, that builds up the 65 cent man and wrongs the 75 cent patron. The pool never sought for one moment with two new members having over one hundred millions of new capital to increase the tariffs. The proposition made to the West Shore and to the Lackawanna roads was in effect this: "If you will come in and take a reasonable amount of this tonnage, say 12½ per cent. to one

and 10 per cent. to the other, we will give you an admission to the pool if you will charge the same rates we have heretofore been charging." Was there any wrong in this unless it was to the old roads that lost their business?

#### DIVISIONS OF FREIGHT.

Senator GORMAN. In doing that you were compelled to transfer a part of the tonnage to the West Shore road which ordinarily would not have received it. Was not that a great injustice to the shipper, because of the want of facilities of that road?

Mr. BLANCHARD. It was in some instances. It was a new road and it was distinctly provided in the discussion, and I think it formed a part of the resolution, that if it was found that the West Shore Company did not offer the time or facilities to the country which the older lines did settlements might be made with it by the other companies in money. Not that they would be so paid, but that they might be.

Senator GORMAN. Then the operation of it was only to affect existing rates, and not to increase the charges to the public?

Mr. BLANCHARD. That was all; not a rate was increased and many have been permanently reduced.

Senator GORMAN. Depreciating your own property?

Mr. BLANCHARD. Yes.

#### REBATES AND DRAWBACKS.

The CHAIRMAN. You may take up the other points that are suggested in the circular.

Mr. BLANCHARD. You ask if any system of rebates and drawbacks ought to be allowed. I answer, yes, in some instances. There are certain drawbacks, in my judgment, that will be found thoroughly equitable, much as I oppose the wide wrongs the general system leads to. I favor substantially the abolition of drawbacks, but some are proper. For example, the great lakes are closed in winter. Freight docks stand at Buffalo ready to receive enormous quantities of coal. It has been the habit of all the railroad companies to send coal to them in winter when railway charges for transportation are usually higher and it costs more to carry the traffic, with the understanding that there will be a rebate on whatever coal remains on the docks unsold at the time of the opening of spring navigation. This is in order to keep the distant mines regularly running and the cars regularly running and the railroad earnings uniform, and labor at the mines and on the railways uniformly employed. This rebate is merely to put down the rate to the price that is charged at the opening of navigation and is given to all alike—like a Government drawback on exported spirits.

There are a few other cases. For example, a manufacturer says, "If you will put in a switch and build a station, and do certain other things at this point for me, I will give you so many car-loads of freight a day." The railroad companies, as a penalty to enforce that agreement and prove the proposer's good faith and recoup their expenses, frequently say, "We will charge you such and such rates, and upon the fulfillment of your contract we will refund to you so much money." That seems to be a proper form of drawback. But a drawback for concealing an unjust discrimination in rates differs from these commercial allowances, and is something that ought to be stopped by law.

The CHAIRMAN. It has frequently been charged that the Standard Oil Company, within a few years back, has got a great number of mil-

lions of dollars in rebates or drawbacks. Have you anything to say about that?

Mr. BLANCHARD. I might say a great deal in justice to that company as well as the railways. There cannot be anything more foolish than such reiterated charges about the Standard Oil Company. In my testimony before the legislative committee of this State I exhibited the entire trunk line arrangement with the Standard Oil Company, without withholding any facts at all. That is all done away with now, mainly because they have built their own pipe-lines to the sea-board. All the charges of transportation monopoly in oil then floated were magnified or baseless. In my presence it was charged by Mr. Thurber that \$13,000,000 of drawbacks had been paid to the Standard Oil Company by the trunk lines, although less than \$1,300,000 had been paid, running over many years, and under terms which were made alike to them as to every one else having like conditions.

I will state the general arrangement: The oil territory is continually shifting. To-day it is at Oil Creek; to-morrow at Bradford; the next day at Thorn Creek, and so on. The pipes run all around through that movable section. They had to move or extend their pipes as oil was discovered in different places, but they could not move their refineries. The great bulk of drawbacks was covered by the payment of drawbacks in running oil to these refineries.

#### BASIS FOR REBATES TO OIL COMPANY.

It was provided that the rate should be made from the point where the oil went into the pipe, and then one uniform rate was fixed all over the territory, from the point where it was produced to and from and via the refinery to market, including its change from crude to refined oil. People who refined the oil where it was produced alleged that to carry it to Cleveland and then bring it East at the same price at which it was sent direct from the point of pipe outlet, or via a much shorter haul, was an injustice and discrimination. I am not prepared to say that events proved this exactly right from a transportation point of view, but it was intended to put all oil shippers on an equality. In order to secure the performance of that arrangement, so that all shippers would be ultimately treated alike, a rate was first charged above the price which it was agreed should ultimately be paid net, and the excess was paid back to forwarders in so much money. The Standard Oil Company, being much the largest shippers, got much the largest amount. Having substantially a control of producing pipes and refining, the money was paid in an equally large share to them.

The CHAIRMAN. It is said that the operation and effect of that was to drive out of the business a great number of people.

Mr. BLANCHARD. No such effect was intended by the railways, and it certainly was never even discussed. This general agreement and oil pool was made by Colonel Scott and others at the United States Hotel at Saratoga, on the piazza in the presence of many persons. I was present when it took place, and all the parties were together, and there was no attempt at wrong or at concealment. When it was shown that this arrangement did operate against others, the Standard Oil Company, sooner than have these people form a combination and go to the railroads, bought many refineries up, so that the complainants got substantially precisely what they wanted. Those who got in with the Standard Oil Company are great believers in it, and those who did not are not. It's always the way.

## CONCESSIONS TO LARGE SHIPPERS.

The next question in your circular very briefly refers to concessions in rates allowed to large shippers, whether, except such as represent the actual difference in the expense of handling large shipments over small shipments, such concessions should be made or should be known to the public. I do not think they should be necessarily made known to the public. I do not see what interest a saddler in Syracuse has in knowing what is allowed to a manufacturer of agricultural implements at Utica. I think the law should prohibit unjust concessions, but excessive publicity can do as much harm as the reasonable publicity I advocate may do good. I think you will have to form your law upon the English law, that reasonable charges shall be made without unjust discrimination, and then we will have to leave what that is to the judgment of this tribunal to make a fair and equitable decision upon the facts and traffic and conditions involved in cases presented.

Senator PLATT. You think that the manufacturer who furnishes the company with twenty car-loads of freight a day is entitled to some concession in rates over what is allowed to a man who furnishes a part of a car-load once in awhile?

Mr. BLANCHARD. Yes, sir.

Senator PLATT. Would that apply to shippers of grain? Do you think a grain shipper from Chicago who has facilities for storing, and who can get together an immense business should have less rates than a smaller shipper?

Mr. BLANCHARD. No. I had in mind these local manufacturing establishments. I was about to say in another connection that I do not mean by favoring certain drawbacks that they should apply to the current staple products of the country. They ought not to apply to cotton, or cattle, flour, coal, or grain. I had in my mind a manufacturing concern, for example, located, say, at Erie, Pa., that desired to ship to Buffalo or Chicago in a regular and established business. There ought to be within fair limits a right to make proper concessions in such cases. There are many places in this country where, for example, a firm has a manufactory of its crude articles at one point and its partly manufactured product at another, and which brings its crude materials from various points to one central place to put them together. In cases like that it is fair to make certain allowances, allowing those to be regulated by drawbacks.

## UNIFORM SYSTEM OF ACCOUNTS.

I come next to the question: "Should corporations engaged in interstate commerce be required to adopt a uniform system of accounts?" I do not think so. You will find different laws and forms in different States, for example, the New York State commission sends out forms by which New York corporations are required to state their earnings. The State of Pennsylvania sends out its form, which differs. The commission of the State of Ohio sends another form. Railways having their lines in several States (for example, the Erie Railway) have to keep certain accounts under the laws of the State of New York, and other accounts under the laws of the State of Pennsylvania, and another for its leased lines in Ohio. It would be a useless expense if the Government required still another and perhaps different from them all, and confusion and not clearness would result, because you can never make foot-notes enough to explain to various people what is variously meant. The details of these accounts are useless to the Government, as, for example, whether

railways keep an account of firemen and engineers or put it all under the head of locomotive expense, or an account of bridge watchmen and track-walkers, or put it all under track, are not matters of much consequence to the people of the United States.

But what *is* of consequence is those essentials upon which wrongful or unjust capitalizations are founded; that is, the funded debt, and the floating debt of various kinds, and all that sort of accounting or returns which would give to a national tribunal a foundation upon which to judge what are equitable or inequitable rates, discrimination, and extortion.

I believe railroads would favor a uniform system of accounts all over the United States which would give all those essential facts to enable the Government or the people to understand and arrive at just estimates of the financial character and standing and management and rates of these properties. I cannot see why the Government should not ask for that, and I see no reason why railways should withhold it; but I would not go into all these details which would only burden the reports, and which nobody would read after they were prepared.

#### WATER ROUTES.

Your circular next asks: "In making provision for securing cheap transportation is it or is it not important that the Government should develop and maintain a system of water routes?"

I think that if the Government keeps on spending so much money for river and harbor improvements, and leaves the transportation by boats or vessels of various kinds over these improved water ways to go undeveloped except by private enterprise, as railways are, that is all that ought to be done. In other words, if the Government enters into competition with railroads by freely spending money to build up these water routes on which boats are free, and then seeks to control the railways besides, it would be a pretty hard thing for the railroads to stand.

Senator PLATT. You think the pinch is all on one foot.

Mr. BLANCHARD. Yes, the pinch is all on the railroad corn. I think as to great national works, like the improvement of the Mississippi River at its mouth, and, for example, such a thing as cutting a ship-canal from Baltimore to the ocean, or any of those acts which benefit great areas and publics, and great traffics, that, as a railroad officer, I should not object to such needs. To build them, however, by subsidies or by any of the unfair methods which are sometimes urged upon Congress, I do not look upon as just.

#### DIFFICULTIES IN ENFORCING LEGISLATION.

Your circular next asks: "In what manner can legislation for the regulation of interstate commerce be best enforced? Should a commission or other special tribunal be established to carry out the provisions of any law Congress may enact?"

That I have substantially answered. The difficulty is, as I stated before, that the State boundary lines of the United States offer great obstacles to this whole question. In insular England, where Parliament has no county lines or State lines to deal with, and in France, where traffic has to be changed and passengers have to get out and stand an examination of their baggage, &c., at national frontiers, it is very much easier to regulate rates than it is here where, as one people living in different States, we are moving continuously through a great



many States. For example, a box of dry goods may, according to the decisions in different State courts, be under five or six different responsibilities and regulations, depending upon the character of the laws and the decisions in the various States, on its passage from New York to San Francisco. That, perhaps, is an exaggerated statement of the difficulties; but the responsibility under a bill of lading may differ in that way. In England or in France one uniform law and decision would govern the same question. That is a statement of one of the difficulties here in adopting a rigid plan of control.

#### SUMMARY OF VIEWS.

I cannot better close my statement than by saying to this committee that, recognizing, perhaps a little in advance of some of my fellow railroad officers, the right and interest of the public in the deliberation and discussion and decision of these questions, I have advocated a national railway commission for five years. I believe that nine-tenths of the complaints made by transportation agitators in Congress, if not imaginary, are at least applied to so small a moiety of the general commerce of this country, that no equal part of the national business is carried on with the uniform satisfaction, security, speed, and safety that is given by the railroads with their great difficulties and complications.

There are cases of wrong. I have been too observant a man to deny that. That those wrongs should be justly controlled by State authority I admit. That they should be reasonably regulated by a national tribunal having long judicial powers and life I believe. The question is not second in importance to anything in the commerce of this country which legislation does regulate. That it touches the needs and wants of most of our people I acknowledge. That it ought to be regulated in the broad spirit of fairness to every class of people, I think everybody will concede. That it ought not to be entered into, either from the standpoint of senseless opposition on the part of the railroads, or senseless antagonism on the part of the public, is axiomatic. And if now or at any time, by person or by papers, I can facilitate the labors of this committee in the harmonious mean, I will be ready to do so.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. Before you leave I would like to ask you a question that has been suggested. It is said that on the subject of long and short hauls the Pennsylvania Railroad never charges more for a short than for a long haul; that it observes that rule absolutely. Do you know what the facts are in regard to it?

Mr. BLANCHARD. No, sir; I do not. I know generally that they never permit their charge, between the terminal points of their road, to be exceeded by a charge between the same starting points and the intermediate points of their road. But whether they ever permit a charge, if you please, from Johnstown to Harrisburg, to be exceeded by a charge from Westmoreland to Altoona, I do not know. There has been a great deal said and written upon this subject. It is an almost inexhaustible one. The question is governed by so many conditions that it is almost impossible to anticipate them. For example, it is perfectly easy for the committee to see that upon traffic originating at one local station, where it first goes into the railroad warehouse, and is loaded by railway employes into the car, and is transported thence to another way station where the same freight is unloaded by the rail-

road company again into its warehouse, and held two or three days, for a party living at a distance, the charge for all this service may be very reasonably double the charge on a similar load loaded at one end by the shipper and unloaded by the consignee at the other end. That is not an unusual case, particularly in new countries, and particularly as between stations where somebody says, "Put down a track and we will do the loading and unloading."

Senator HARRIS. The difference in that case worthy of consideration is in the terminal charges.

Mr. BLANCHARD. Yes, sir; mainly.

#### SHOULD TERMINAL CHARGES BE SEPARATED?

The CHAIRMAN. Do you believe that terminal charges ought to be separated from charges for hauling?

Mr. BLANCHARD. I do not see how they can be, for the reason that in a table, published in my testimony before our State committee, I showed that at one way station, taking the actual results, it cost \$1.50 a ton to handle freight. At Paterson, for example, it cost about 21 or 22 cents, depending upon the volume and regularity of the business. A total freight charge which would cover, for example, the charge at a station where it cost \$1.50, would be most unjust at a place where it cost so much less; and *vice versa*.

#### A. T. HADLEY'S STATEMENT.

ARTHUR TWINING HADLEY (of New Haven, Conn.) appeared and said:

I shall start the discussion of this question not from the point of view of what we want so much as from the point of view of what can practically be had in the way of legislative control, which is often a much more effective factor in determining what should be done.

#### EXPERIENCE OF EUROPE.

Now, in judging of this we have the benefit of the experience of other countries. The problem of the regulation of long-distance freights is not a new one. The same general problems have been tried in the different countries of Europe. The special circumstances are so different that mere indiscriminate comparison would be of no use, but sometimes those special circumstances are such as to make the point all the stronger rather than the weaker. If, for instance, we find that Germany, or Austria, or Belgium, or France, with an army of hundreds of thousands of trained officials, and with the ownership of thousands of miles of railroad, has not been able to carry through certain measures of administrative reform merely from lack of administrative power, the chance of our attempting to carry those measures through is very small. If, in the same way, we find that the English courts, with the authority of centuries behind them, have not been able to enforce their definitions of unjust preference, of what constitutes a reasonable rate, the chance that our courts should succeed under similar circumstances is very much less than it otherwise would be.

I shall condense as much as possible, and beg the favor of being interrupted as freely as possible. I shall welcome interruptions in the way of questions at any point.

First, it may be stated as a fact of history, draw what inference you choose from it or none at all, that no nation has succeeded in prohibiting discrimination and pooling at the same time. I state that as a historic fact. I should be willing to go further, although with a little more hesitation, and say that, as far as I know, no law has been permanently effective in prohibiting or discouraging either one of these things, discrimination or pooling, except in so far as it at the same time indirectly or directly encouraged the other. On the continent of Europe, for instance, the worst forms of discrimination, the worst abuses from which we suffer, are, in general, efficiently prohibited, but it is generally by an organized system of pools of whose completeness we have no conception in this country, pools that are not merely recognized by law but enforced by law. Railroads are almost required to enter into them. The state itself enters into such pooling contracts, on account of its own lines, with private lines. There is a division practiced between railroads and water-routes according to percentages. In doing this they have sacrificed, of course, part of the advantages we have obtained from railroad competition.

Senator PLATT. To what countries do your remarks apply?

Mr. HADLEY. Chiefly to France, Belgium, and Austria; also, to a less extent, to Switzerland and Italy. In France, to be sure, they have never recognized railroad competition as a principle, and scarcely have had it in practice at any time: but in Belgium and Germany they have tried railroad competition, and, what is all the more striking, have given it up as producing discriminations and only to be avoided by pools. Take the case in Belgium. About the year 1860 the railroad system of Belgium was partly in Government hands and partly in the hands of special private companies. The two systems were tolerably evenly balanced in strength. The private companies had longer lines, but the Government had unity of management and had had the chance of first laying out its railroads and choosing the best routes. The result was an extremely even system of competition. Competition produced the same effects as it has produced in America—good and bad. It tended to the rapid development of the country. It caused railroad rates to become lower in Belgium than they were or had been in any other part of Europe, or any other country except the United States. On the other hand, it caused all sorts of oppressive preferences, special rates, special contracts with private individuals; the Government itself, in spite of all the central authority could do, being a worse sinner than any of the private lines in the matter of giving special rates to individuals. The people would not stand that the Government road should not make money, while a private road, apparently not quite so well situated, should make money. They tried to prohibit the competition of private lines by law, never making any very serious attempts in that way, but there were attempts, and they found that they could not do it. The final result was that about 1869 began a process which resulted in the purchase of a good many private lines by the state and in pooling arrangements with the others, so that now Belgian railroad competition is at an end. It was partly ended by the absorption of the competing lines and partly by pooling arrangements. There is one large private company, the Belgian Grand Central, that has a most inflexible pooling contract with the Government. The same thing is true in Germany.

The CHAIRMAN. I have heard it stated, I do not know whether it is true or not, that the Government of Belgium was actually losing money in running the roads, and wanted to give them up. What is the fact as to that?

Mr. HADLEY. The Government never actually wanted to give them up. I feel justified in saying there was no good ground for that statement. The Government, during most of this period of competition, was making money, making about 6 per cent. on the investment.

The CHAIRMAN. How latterly?

Mr. HADLEY. Since the consolidation, curiously enough, the Government has not made so much money. It has made more than running expenses. It has made from 3 to 4 per cent. on the investment, occasionally less. The charge now is that, now that they have not private competition, Government officials sit back in their chairs in the offices and smoke cigars instead of looking after the railroad business. How much truth there is in that I do not know, but it was officially charged in a report of a Belgian engineer to an investigating committee. The same general course of things occurred in Germany. In Germany also, about the year 1870, there was a tolerable equality, in Prussia particularly, between the state railroads and the competing private lines, and there was also a system of discriminations. A number of men, with Bismarck at the head of them, decided that it would be a good thing for the empire to acquire control of the railroads; that it was, on political grounds, almost necessary. This was defeated by the action of the individual states of Southern Germany; but the process of acquiring the railroads by the state of Prussia for the state Government, as distinct from the Imperial Government—the same distinction that there would be between the United States and the State of New York owning our railroads—was pursued, and just in so far as the state either consolidated with private roads or entered into pooling contracts with them the discriminations were abolished, but not until then. They never had discrimination so badly in Germany as we have in America, or as badly as they had in Belgium even, but they had some, and it was only abolished by consolidation and pooling. At present the Prussian Government owns practically all its railroads, but there was a time when it had large pooling arrangements with private lines.

The case of Austria is more nearly similar to the United States, because they have more the same kind of business and the same elements to deal with, though under somewhat different conditions. They are a grain-producing country, and though they have their grain-sellers, they export their grain from various ports, and they have rail and water through routes to foreign ports, and they have their main water-route, the Danube River, running through the middle of the country.

Moreover, they have not the system of state roads developed to the extent that they are in most other countries of continental Europe. Under these circumstances both the Austrian Government and the private railroad men have come to the conclusion that the only way they can possibly abolish discrimination is by systems of pooling. I will take two instances, each quite noticeable of this and each quite recent. The two main cities, Vienna and Buda-Pesth, the capitals of Austria and Hungary, are connected by two railroads and the river Danube, one of these railroads having been built by the state. There is a percentage division of traffic on those roads. As soon as the second railroad was made, there was this division made, which included the state road, the second road, and the water-route, each carrying its percentage, although the water-route was a natural water-course; nevertheless, they thought that the water competition would involve discrimination, and that this was the only way to avoid it. I do not say it was wise or otherwise, but they did it as a matter of fact.

Senator PLATT. Was it done by voluntary arrangement or by the Government?

Mr. HADLEY. It is a little hard to say which it was done by, because the Austrian railroad men, and to a considerable extent the Austrian public, have come to regard pooling as the normal arrangement, and so anybody who said he would not go into a pool would be considered to be a very strange man and a man who was making trouble. So it is hard to say whether it was voluntary or enforced.

A still stronger instance, perhaps, is the Arlberg Tunnel, which was opened through a north section of the Alps, making an entirely new east and west road, as different from any road in the previous course of affairs as it would be now if the shipment of grain to Liverpool should prove practicable by Canada from this country. Before they had opened that road, before they had even settled on the share of through freights, they made a percentage division between that and the existing roads. They divided the traffic at each end of the tunnel. The parties to this division were the Austrian state railroads, Austrian private railroads, Bavarian railroads, two or three Swiss private companies, railroads in other South German states, and several French companies that formed remote connections. They divided the whole traffic of all kinds that possibly could pass through this tunnel—made a provisional division.

I mention this as showing how completely ingrained the system of pooling is in their minds, and they have come to it because they believe—they so state themselves in all that is written on the subject—that the only way of avoiding discrimination between competing points is by such percentage divisions, with the authority of the Government. I will discuss afterward how far they are to be considered right in that inference, but that is their inference as a matter of fact.

#### POOLS IN ENGLAND.

In England there are fewer pools than on the Continent, or at least the pools have less authority. There are some discriminations. On the other hand, pools in England have more authority than in America, and there is less discrimination. The things seem to vary inversely, the one going up as the other goes down. It is a noticeable fact that at the time when the first series of attempts was made to check discrimination in England, the first pools were arranged. The one to which Mr. Blanchard alluded, made in 1856, was simply a very important one among a number that came up at that time. The pooling arrangements in England have not the force that they have on the Continent; that is to say, the Government does not positively encourage them, and, indeed, a great deal of question is thrown upon the enforceability of these contracts. They do not go to the extent of most of our lawyers of saying that contracts in restraint of natural competition are against public policy; but many of them say it is very doubtful whether such a thing could be actually enforced. The general tenor of the decisions in England, however, is very much like the recent decision of Judge Matthews in the Hocking Valley case in Ohio, namely, that where one party is benefited under a pooling contract it cannot claim exemption from fulfilling its liabilities to the other party. That is the way in which pools are regarded in England—as being probably legal, but not having the force and weight of authority that they have on the Continent.

#### POOLS IN AMERICA.

How pools are regarded in America we all know—as being *prima facie* against public policy, as being at most tolerated in order to avoid worse evils.

This statement of historical facts, stated as mere history, is somewhat striking. The fact appears that the more pools you have the less discriminations, and *vice versa*. This is borne out to a certain extent by our own experience in the State regulation of commerce in the United States. For instance, where have schedule rates, on the whole, been most successfully carried out? On the whole, I have no doubt in saying, although there are other gentlemen who know more immediately about it in practice than I do, in that group of States of which Georgia forms the center. Georgia is also the center of the Southern Railway and Steamship Association, the most comprehensive pooling organization we have. Next to that in the power of carrying out schedule rates, or at least rates suggested if not prescribed, is our experience in Iowa, where, as Mr. Blanchard said only a moment ago, there has been a pool ever since 1872 of great power and authority, a pool that survived the shock of 1873 and has not, at any rate yet, gone down in the shocks of 1884 and 1885. California is not an exception, because, although schedule rates are nominally enforced there, we know that the Central Pacific has such a system of rebates that it practically evades the requirement of the law altogether.

Now, is there any real connection, or is this a mere accident of history, or is there some necessity by which pooling and discrimination cannot be prohibited at the same time, by which where you try to avoid one you have to have the other? I shall try to show that there is something like a necessity of that sort. I do not claim absolute cogency for the proof, and I beg you to interrupt me at any point that you think you see any link wanting.

#### COST OF TRANSPORTATION.

I must go back a moment to the general character of railroad business and the particular character of competing railroad business. The expenses of a railroad are of two kinds, looked at in this point of view. One sort of expenses varies with the traffic almost in proportion to the traffic; that is to say, train and station service, also car repairs. Another class of railroad expenses is more or less invariable within wide limits; at any rate, there is little difference made whether you have a large business or small one. To this class belongs, in the first place, the great majority of track repairs. For instance, the maintenance of way, as apart from traffic, is affected by weather a good deal more than by the actual number of car-loads. If a track is laid with steel rails, it is an open engineering question how long it will last, whether it depends on the time it lies there or how far it depends upon the amount of traffic that is carried over it. The weight of engineering authority is in favor of the latter; the experience of countries where they have had steel rails down since 1870 is rather in favor of the former. We may regard it as a firm point that it is fair to say that the greater part of track repairs does not vary in proportion to the volume of traffic. About half the items which would come under the head of general expenses, that is to say, the expenses of the general office, salaries, &c., are more or less independent of at least any moderate changes in the volume of traffic. The item of interest is, from the very name, in the nature of a fixed charge.

Calling these two elements respectively fixed and variable items of expense, we shall find that, averaging the railroads through the whole country, of every dollar that a railroad earns about 40 cents is spent for train and station service, for car repairs, and for those items that

vary strictly with the traffic; that from 15 to 20 cents more (the former being probably a little over 40 and our next figure a little under 20) is spent for maintenance of way and general expenses; that a trifle over 25 cents goes to interest on bonds; and the remainder, in the neighborhood of 15 cents, to dividends on capital stock. Such is the division. Or, to put it in another way, each mile of railroad, on an average, has to pay well on toward \$2,000 interest on the bonded debt (not counting capital stock at all for the present) and something like \$1,000 annually for expenses of maintenance. These charges, be it observed, are independent of an increase or diminution in the volume of traffic. If there is a question, "Will it pay us to get an additional piece of business?" the only inquiry that a railroad man has to make is, "Will it more than pay the expenses of handling and hauling it, of the additional station expenses at both ends, and the additional train expenses." And if you can put freight into cars that would otherwise go back empty, ought you not to pay a little more than station expenses, and those are a very small part of the cost of hauling. But in any event, in case business can be had on no other terms, the cost of each individual piece of business is the cost of doing that, apart from the fixed charges. I say, looking at each particular piece of business by itself, for the road, as a whole, to pay expenses, it must pay all these individual, dividable, train, and station expenses, and, say, \$3,000 additional, representing interest and maintenance. This last you must get out of the road as a whole; the first can be divided to the individual pieces of business.

Whenever business is competitive, whenever, in other words, you cannot have business except by making the utmost sacrifices for it, it will pay you to reduce rates down to the mere element of train and station expenses; and this is precisely what a railroad man does, although he is quite unconscious of doing it. The way he gets at the desirability of reducing rates is this: "Will the increase of earnings on the increased volume of business more than counterbalance the increase of expenses?" He makes a reduction in the charges; he finds that he gets from that kind of business \$100 a week more; that more than counterbalances the reduction in freight charges; perhaps there is \$1,000 difference in gross earnings a week. If it only increases the expenses \$900, he says, "We are \$100 better for making that change." In that respect, therefore, what men take into account are the variable elements in expense in fixing a competitive rate. A railroad may have competition with another railroad either throughout its whole length, as in the case of the New York Central and the West Shore at present; at certain points of its road, as in the case of most of our railroads; or nowhere at all, as in the case of one link in a large combination perhaps, or as in a country where railroad business is completely monopolized. You must either have competition somewhere, everywhere, or nowhere. If you have competition everywhere, you will drive down rates to the level of the train and station expenses simply, as is practically seen in the case of the New York Central and West Shore. Railroad competition brings down rates not to the cost of service, as is the case in other business, but to a certain part of the cost of service, to cost of service not counting fixed charges. Therefore, where you have competition everywhere you will have no money to pay fixed charges. If you have competition somewhere and not elsewhere, you will lower your rates at that point and pay your fixed charges at the other points where there is not the competition. That is discrimination. If you have competition nowhere, to all intents and purposes you have a pool.

Sometimes they try to do without a pool by a mere agreement to

maintain rates, but we all know that those agreements to maintain rates, where there is not a division of traffic, are cut by irresponsible freight agents. They think it is right good to cut those rates as long as the other does not, because it gets additional business. A railroad can get additional business for rates for which it could not afford to do its own old business. If two men are fighting, the question which determines the rate at which they will stop is not what rate will it pay them to do the whole of their business, but at what rate will it pay one to steal business from the other man. That is the case with factories and with railroads. A factory, to extend its line of business, can afford to cut its rates lower at a distance than in the home market; so in the case of a railroad. Now, therefore, if you have competition everywhere, you have ruin; if you have competition somewhere, you have discrimination; and if you have competition nowhere, in order actually to keep up rates, you have a pool.

Judge Reagan is of the belief that if sufficient penalties were provided by law in order to prevent railroads from favoring competing points, they might be forced to maintain a fair relation between their rates at these competitive points and elsewhere. It is possible that a system of penalties might be employed which would prevent the really sound, well-managed, law-abiding roads from cutting rates under those circumstances, just as you can devise a system of personal taxation, which will make the really sound, quiet, law-abiding citizens pay taxes on all their personal property; but the railroads which are managed by more unscrupulous men will most surely cut under those rates in spite of these provisions, doing it secretly. There are thousands of ways in which a railroad can do it without being found out, and get the benefit.

#### EITHER POOLING OR DISCRIMINATION.

And so I say, as the conclusion of this part of the argument, that it seems to me the question necessarily reduces itself to this: Shall we have poolings or discriminations? In other words, we are not face to face with two separate questions, "Shall we try to prevent discriminations, shall we try to prevent pooling?" but with two connected questions, "Which shall we prevent, pooling or discrimination?" Are we willing, for the sake of preventing discrimination, to take up, although at the same time controlling, and legalize the means which in other countries have been found effective to prevent discrimination, which seems to have been, if history may be judged, the only effective means, and which, if my theoretical proof is to be trusted at all, is the only possible means?

It having been found, as a matter of practice in different countries, and apparently also as a matter of theory, impossible to avoid both discrimination and pooling, the question is, which shall we avoid, which shall we make the object of our main attacks? If we have competition we shall have discrimination. If we have state control, we shall have more or less pooling in order to make it effective, almost as a matter of necessity to avoid the abuses of competition. If the matter were entirely undeveloped, if we had to decide it as a mere matter of theory, it would be hard to choose. Competition produces the result of developing railroads rapidly, of making rates low. Our rates in the United States, it has been said, are decidedly lower than elsewhere in the world, and our railroad development has been extremely rapid. We owe this to competition. At the same time it produces with it these abuses of discrimination. Fortunately we do not have to decide it as a mere matter of theory, but we have to decide what is the need of the United States at the



## EFFECT OF COMPETITION.

Almost any one would admit that of late years railroad competition has not only done its work but has overdone its work. The question for us to decide is, how can we most effectually control those abuses which the overdoing of competition has produced? Now, the efforts of legislation to prevent these abuses, taken up specifically, may be divided into clauses to secure reasonable rates, clauses to prevent discrimination, and clauses providing the means of enforcing these rates through commissions with judicial powers or whatever else may be suggested. This was also the order which legislation on the subject took in England.

## REASONABLENESS OF RATES.

The early charters provided that rates should be reasonable, and they also attempted to provide maximums. They did not think of the attempt to provide minimums; they had not come to that. The difficulty of a clause to secure reasonable rates lies in the definition of what is a reasonable rate, and it is very difficult to define a reasonable rate without getting into a circle, as was seen in the conversation with Mr. Blanchard this morning. One person would say that a rate to be reasonable must be based upon cost of service. Now, in which sense would you make cost of service the basis, taking those two interpretations that I have given? Are we to include in cost of service the mere train and station expenses and the additional expense of doing each individual piece of business, or are we to include them plus a part of the fixed charges? Are we to divide up the whole expense or only part? If we divide up the whole expenses of the railroad, including fixed charges, and say a reasonable rate is a rate based on cost of service, and the business pays its proportion of the fixed charges, we make our rates too high inevitably. If coal were required to pay its share per ton or per car-load of the fixed charges of a railroad, no coal could be moved at all. The value of the article is not high enough to bear it. If all long-distance traffic were required to pay the whole additional expense of hauling, as compared with short-distance traffic, practically no long-distance traffic, at least of the ordinary bulky articles, would be moved. The question where these fixed charges are to be put, where the load of bearing them is to be put, must be decided upon the point of what traffic can afford to pay the fixed charges. This is stating in one way the principle of charging what the traffic will bear.

The CHAIRMAN. Do you believe in that doctrine?

Mr. HADLEY. I believe in it with reservations which I am going to make almost immediately. I believe in the principle of charging what the traffic will bear. I believe it is usually made an apology for charging what the traffic will not bear. I believe that any effort to base rates upon cost of service is either a mere pretense or hurtful; that the true basis is charging what the traffic will bear; but that truth is generally misapplied by the railroads to make it mean charging what the traffic will not bear. I will explain this position directly.

Charging what the traffic will bear means that you reduce your rates on a given line of business as long as the increase of business warrants the reduction in rates. That is the principle on which it proceeds. The trouble is that the railroad men almost always make these reductions not in general but in certain special lots. They see that a certain special

contract will favor a special line of business. They really see, except under the stimulus either of temporary competition or frequently of somewhat radical legislation, that a general reduction will produce similar general effects in business. This power of making arbitrary discriminations, therefore, results in the favoring of certain individuals and also of certain localities. That I take to be the central abuse of the whole railroad system: first, the favoring certain individuals as against others similarly situated; and, second, the favoring of certain localities.

#### CONCESSIONS TO LARGE SHIPPERS.

Now, in answer to the specific questions of the committee in its circular with reference to specific abuses, I should say unquestionably that no concessions in rates should be allowed large shippers except such as represent the actual differences in the expense of handling large shipments over small shipments. The only difficulty in this is the difficulty of carrying it out, which is very great indeed. As an item, I take it, considering the character of the railroad as a common carrier, having had the benefit of the right of eminent domain, there can be hardly any question that it should be the aim of the law to abolish personal discriminations. That was the interpretation of English law during the years 1854 to 1870. There has been a great deal of reference, first and last, to the interpretation of the law in England. The law in England was extremely vague in its wording. It left everything to the courts. What it said was that all companies should afford proper facilities, rates should be reasonable, and no preferences be given. The interpretation of the courts was that it constitutes an unjust preference, a preference within the meaning of the act, if a railroad treated one shipper differently from another shipper in precisely similar circumstances; but where the difference between the two shippers was not a mere personal difference, but a difference of circumstances, the courts hesitated to apply the act or to say that there was an unjust preference. The decisions from 1855 to 1870 under this head conflict exceedingly, some decisions conflicting with other decisions, in a great many cases opinions of the court being given by a bare majority, with actual dissenting voices. They did not, therefore, under this clause, intend to abolish local discriminations.

#### DISCRIMINATIONS BETWEEN PLACES.

To pass from the matter of personal discriminations to the matter of local discriminations, the difficulty of laying down even a general principle there is very much greater. In the first place, if you have competition at the through points—actual, effective competition—it cannot be done at all. The competitive rates, when there is actual, vigorous competition, bring things down so as to leave nothing to pay fixed charges. If you insist that rates shall be brought down to local points to the level of through rates, there would be nothing left to pay fixed charges, but our rates would be reduced to the level of the New York Central and West Shore at present. There must be either some means devised of raising the through rate by a pool or some allowance of difference by which the local business shall pay its share of fixed charges. As I said before, I am in favor of some system of pooling as pools might be made if they were legalized and held responsible for what they do. But meantime the question is, can we absolutely prohibit discriminations against local points; can we adopt the so-called short-haul clause;

can we say, for instance, that no higher rate shall be charged from Chicago to Poughkeepsie than shall be charged from Chicago to New York? This matter is not as clear as the matter of personal discriminations, and an instance, I think, will show the difficulty very much better than any amount of theorizing—an instance which actually occurred in the supply of oysters in the Philadelphia market. It happened to be a special case, illustrating principles much wider. On the coast, something like 100 miles south of Philadelphia, was a town where there seemed to be opportunities for oyster culture. In order to send oysters to market without special privileges they would have had to pay express rates, \$1.60 per hundred. That would have been too much; they could not pay that rate. The difference between the cost of collecting the oysters and the price in the Philadelphia market was only \$1. That, in other words, was the limit of the charge which the oysters would bear. Some people there, wishing to raise oysters, said to the railroad company, "If you will make us a rate of a dollar a hundred, we will furnish you a car-load of oysters to take to Philadelphia every day." A car-load of oysters is about 8,000 pounds. They would have had to take that car down every evening, and haul it up every morning early with the oysters, by quick passenger trains, in time for the market. The railroad men saw that the expense of hauling that car full would be about \$65.

The CHAIRMAN. What is the distance?

Mr. HADLEY. I do not know exactly what the distance was, but it was in the neighborhood of 100 miles. The name of the town was withheld in giving the information. If, therefore, the railroad made a charge of a dollar a hundred, they would get on 8,000 pounds \$80, leaving them a profit of \$15 on hauling the car, which would be a good profit, more than would pay them for the service and pay a share of the interest and so on, and they put the car on; but they found, when they had the car, that 8,000 pounds of oysters daily could not be supplied, but only 5,000, which left the railroad only \$50 receipts, while the expenses were nearly the same. The expense of hauling the car full would not have been very much greater than the expense of hauling it little more than half full. It cost them over \$60 a day, and they were getting but \$50. They could not make up that difference by raising the rate, because the oysters would not bear it possibly; they had reached the limit where oyster culture could be profitable. They could not get an increased quantity by lowering the rate, because the difficulty was not in the rate but in the capacity of the oyster-beds. The railroad men, therefore, thought at first they would have to take the car off. Then they found one way out of the difficulty. Suppose the town we were first speaking of was that of X; but there was another place further off, which we will call Y, that was already sending oysters to Philadelphia at a dollar a hundred by another road, and Y was a large place, that could furnish all the oysters that were wanted. The expense of getting oysters from Y to X was about 25 cents. The railroad men, therefore, said, "If we can fill up our car with oysters from Y, possibly that will help us; how can we do it?" If they did not charge 75 cents, that would have given no advantage to the new route, and hence the oysters would have continued to go by the old route at the dollar; they would have preferred to go in the line of freight already existing if they had made a rate of 75 cents. They said, therefore, "If we make a 70 cent rate for oysters coming from Y, and it only costs 25 cents to get the oysters from Y here, then the oyster men will be glad of that 5 cents a hundred and we can fill our car with oysters from Y"; and so they did. They charged 70 cents for oysters from Y loaded at X, while they charged the local

producers at X a dollar. The result of that was the filling up of their car with 3,000 pounds of oysters from Y, whereby they succeeded in getting \$21, 3,000 pounds at 70 cents a hundred, making, in addition to the \$50 which they got from the local oysters, \$71. That left them \$6 above the \$65 expenses of hauling the car backward and forward, a thing that a little more than covered the expenses of car wear and various other incidentals that came up in a business which was very profitable to them, not as it would have been to have got \$80 instead of \$71, but still business they were glad to do. The oyster-growers of X came up in great indignation and said, "This is an arbitrary discrimination against us, a local point; they are charging men at Y only 70 cents per hundred, and charging us a dollar under precisely similar circumstances." The railroad men said, "That is true; but what are you going to do about it? You cannot give us more than 5,000 pounds at any rate; you cannot give us anything at a rate above a dollar; therefore, the most we can get out of you is \$50, and that will not pay us to run the car. We cannot fill our car with oysters from Y at any rate higher than 70 cents; if we charged 70 cents a uniform rate on the whole car-load, it would only make \$56, which would be \$9 less than the bare expense of doing the thing. In a uniform rate, then, we have to lose money. The only thing for us to do is to make this difference or else take the car off." The oyster-growers considered this reasoning and decided that there was no loop-hole in it. The railroad had a great advantage which they do not ordinarily have in similar arguments because they could take the car off, which was an extremely clinching point for whatever logic there might not be in it.

This illustration, as an illustration, holds good in a great many instances. Where there already exists a through rate between important points, and a new railroad is built, the new railroad is built primarily for the localities that now do not have a railroad but are to have one immediately. It is primarily built for the local or intermediate points. It might be therefore, that a railroad should be unprofitable by a strict application of the principle that you could not charge more on the local business than you do on the through business. This, therefore, makes a strict application of that principle almost impossible. It does not, however, alter the fact that the principle of the short haul is a good one to hold out as a general policy.

There can be no question that the charging of more for the intermediate distance than you do for the whole distance tends to throw trade out of its natural channel. Though the direct effect to the railroad may be good, the indirect effect is the concentration of injustice in commercial centers and the carrying of their products over longer roads than otherwise would be necessary. The indirect effect, then, is to encourage a somewhat wasteful way of doing business; and as a line of policy, therefore, the short-haul principle might well be adopted and violations of it discouraged. I do not see, however, that we could, in the face of instances of which that of the oyster car is a simple type, apply it as a hard and fast doctrine, always to work.

#### CLASSIFICATION OF FREIGHTS.

So much for the matter of personal and local discriminations. There is another form of discrimination which is known, which you can hardly call a discrimination at all, and which I have covered by previous points, namely, that of classification—where coal, for instance, is charged infinitely less than dry-goods or rich ores, although the cost of handling may

be the same or nothing like the difference in the charges that are made. Now, no railroad, even when pretending to base its rates upon cost of service actually goes to the length of avoiding discriminations of this kind. Even in those places where they adopt the system pretending to base rates upon cost of service, to do away with the classifications between piece goods and whole car-loads, dividing whole car-loads further into open and close cars, which is the case in certain parts of Southern Germany, they always make coal an exception, and generally make an exception in favor of granite and of lumber, and a variety of other bulky goods of that kind of comparatively little value. If no such exception were allowed, it is hard to say how the goods could be carried at all. The English commission, since 1873—you have heard the history of the appointment of that commission from previous persons—attempted to prevent not merely personal discriminations, which the courts had done before, but also local discriminations and, to a certain extent, differences of classification. I am sorry to say that there is a most decided misapprehension in the mind of almost every one as to the success of the English railway commission, due, I think, to the fact that the information is almost always taken from the reports of the commissioners themselves.

#### THE ENGLISH COMMISSION.

The English commission is not exactly a failure, but it is very far from being the complete success which it is represented to be. There was a Parliamentary investigation in 1881 and 1882 which really turned on the fact of whether this commission had done its work, and whenever the commissioners or anybody else were cross-questioned all the rose-colored statements of their reports broke down lamentably. I will tell what they tried to do and how far they succeeded or failed in doing it, because it is a matter of a good deal of practical suggestion to any one who believes in the establishment of a national commission with judicial power, as distinct from one merely to secure publicity.

Up to 1873 the decisions had been merely against personal preference. After that there came a series of decisions, first, carrying out judicially what is known as the short-haul system, namely, that you must not charge more to intermediate points than you do to a through point; second, establishing the principle that competition was no excuse for making rates lower than they would be except for competition; third, that differences in rates must be based to a certain extent upon differences in cost of service; that you could not, in other words, charge the same to New York that you could to Poughkeepsie, because, *prima facie*, there would be the expense of the additional haul in so doing; and, finally, in a recent case making the decision that differences must be exactly based upon differences in cost of service, that you must make more profit on your through shipments than you did on your local shipments over the same line.

All these things have been stated as principles by the English commissioners, and have been applied to the cases in hand. What has been the result? First, that the railroads have obeyed those in the case at hand, unless they thought they could tire the man out by appealing. They have fought a great many of these things through court after court on a failure. Then they yield to the decision of the commissioners in the one instance, but in all other instances of a similar character they fail to pay any attention to it. In other words, the commission cannot enforce its decrees except by calling in the aid of their

courts to enforce the decree in the specific case; and if the same trouble occurs in another specific case, they have to do it all over again. Consequently, the commission cannot protect complainants or litigants from the reprisals of the railroads. It is almost powerless to do so. It has been stated as a cause of great congratulation to England that the fact that there were so few cases before the commission showed that the need for such complaints had stopped from the mere fact that the commission was there. The real reason seems to be that it is dangerous to make complaints before such a commission. In one instance the English railroads made an increase of charges of 40 per cent. to an individual because he was going to make a complaint to the railroad commissioners; in another instance they did the same thing for a station; and the commissioners were practically powerless to protect the men against that, or to give them any damages afterwards which would at all compensate the loss they had sustained in that way. And, not to multiply instances, no less an affair than the British war department is afraid of the railroad power. The question was asked in this Parliamentary inquiry, of a representative of the war department, "Have you no complaints to make against the railroads?" and the reply of the man representing the war department was, "We have so much to do with the railroads that it would be unsafe for us to make any complaints." So much for the efficiency of the English commission.

The CHAIRMAN. The people over there are a little afraid generally, are they not?

Mr. HADLEY. Apparently. So much for its efficiency in protecting complainants; and this difficulty, it seems to me, is liable to be involved in any commission with judicial powers. It would not be so here as badly as it was in England, for a variety of reasons that I will not take time to go into now; but a new commission, consisting of necessity in very great part of men who are not lawyers, would not have the whole force of authority behind it in the way that existing courts do. It might be easier to get such a commission to act, but it would be very much harder for them to enforce their action. At least that seems to be the lesson of the difficulties which were felt in England.

#### A NATIONAL COMMISSION OF INQUIRY.

If we take, on the other hand, the suggestion of a commission with the mere purpose of securing publicity, it seems to me that the opening for a commission of that kind at the beginning is better than for a commission either with power to fix rates or with judicial power to decide cases under a bill prescribing rates more or less closely. The fact is that railroads in America are extremely sensitive to organized public opinion in one way, although they are extremely defiant of it in other ways; and the advantage of a commission is, as Mr. Adams said in connection with the work of the Massachusetts commission, that it can focus public attention upon the individual abuses. The real nature of many of these abuses must almost inevitably be misunderstood in the absence of any representative body which should show the way the matter looks from the point of view of both sides. The strength of commissions with the mere purpose of securing publicity has been that each side regards the commission as in a certain sense the representative of the more enlightened opinion of the other side.

Take the case of the Iowa commission, a commission which, with the exception of the Massachusetts commission, has done the most vigorous work in the way of securing publicity of any in the country; and

I suppose within the last few years one would not need to make the exception of the Massachusetts commission. The Iowa commission had no special powers, but they came and said, "We represent the interests of the public as against the railroads, but we also represent the intelligible and the intelligent interest of the railroads as against the public. We stand in this way, therefore, between the actual managers of the roads, on the one hand, and the legislature, representing merely local interests, on the other. The managers represent capitalists, including foreign capitalists; the legislature represents the local interests of shippers who own privately little stock in the roads. We stand between the two to see that justice is done to both." Each party stands in a certain sense in fear of the other. The experience of the Potter law in Wisconsin showed even the most ardent Grangers that the attempt to control railroads with hammer and tongs was not satisfactory in its results, for it reacted upon the public. On the other hand, the experience of the railroads there and elsewhere, in connection with these unwise attempts to regulate them, has shown them that actually to defy the public opinion is exceedingly dangerous to them, and works back against their own interests.

There is another thing that helps a commission of this kind exceedingly, and that is that while the present interests of the railroads and the public almost always seem to diverge, the permanent interests are very much nearer together. We speak of the conflict of interests between the railroads and the public. What mean we by "railroads" and what mean we by "the public"? By the "railroads" we mean a set of railroad directors and managers who influence the policy of the roads without the knowledge of the great body of the stockholders even, and often without regard, except in the loosest way, to the permanent interests of the property. The mean and temporary interest of the management is the controlling point often. On the other hand, when we speak of "the public" what do we mean? You say the shippers who are now using a particular road; but as the interests of a property as a permanent thing may differ from those of the managers, so the interests of other shippers using other roads, or the interests of the consumers, or the interests of men who want railroads built and do not yet have the benefit of railroad transportation, may differ from the interests of the shippers we look at. A commission, if composed of the right sort of men, is able to take into account these permanent interests, to protect the permanent interests of the public against the temporary ones, to protect the permanent interests of the railroad against the temporary ones, and by doing both these things to command the support of the best elements of both sides. A railroad manager at present feels his main responsibility to the stockholders. He does not feel himself much influenced by the arguments of people who owe no obligations to the stockholders of his road, of the local shippers, each one of whom wants to have his rates reduced; but where a man in an enlightened way, as only an impartial man can, shows the permanent interests of that property, and shows that they are more or less the same as the permanent interests of the public, he feels himself responsible. That is the strength of a commission attempting to secure publicity.

#### PUBLICITY OF RATES.

Such a commission can go to work in various ways. It may have the power to secure publicity of rates, and I believe in that, in general, most decidedly.

The CHAIRMAN. Ought not that to be required by law?

Mr. HADLEY. I think it might be. That is one of the points in which I strongly disagree with Mr. Blanchard. I agree with him in the great majority of things that he was saying in that immediate connection; but it seems to me that if a rate is to be kept secret, it is, *prima facie*, because that rate is injuring somebody and the railroad company cannot afford to have the man who is being injured know it. In other words, the fact that a rate is kept secret shows, *prima facie*, that it injures somebody else.

Senator GORMAN. Do you take into consideration the road through Canada?

Mr. HADLEY. I was just beginning to speak of that point. There are certain very important practical limitations to our action, and one of the important things is the road through Canada; and it was on account of the fact that things of that kind may come up at every turn that I thought it well to begin the whole discussion with a defense of pooling in principle.

#### POOLING ARRANGEMENTS.

It seems to me absolutely impossible that we should exercise this control without having the practical effect of sending a certain very large amount of traffic that we want right through Canada, unless we adopt some means by which the Canadian road will be held responsible for the same things that our American roads are held. As to the form such a pooling contract would take, I imagine that it would not necessarily have as many evils as pools in the past have been subject to, provided it were once recognized by law. The ordinary argument against pools runs somewhat in this wise: The railroads at present have an arbitrary power, which they exercise in an arbitrary manner; pools will increase that arbitrary power; therefore we ought not to encourage pools. The fallacy of that argument is that, while it will increase the power, it will also increase the possibility of exercising it in an intelligent and far-sighted manner. A man like Mr. Fink, if he were armed with legal authority to compel adherence to his contracts, would stand in a totally different position from the same man compelling adherence to his contracts simply by his own intellectual and moral influence. If a pooling contract is liable to be broken by the will of any of the agreeing parties at any time, it must, to a very considerable extent, adopt as its principle "make hay while the sun shines." The result of pooling contracts for personal interests was seen partly, although I do not consider that the result was wholly due to this, because of the fact that new and undesirable railroads were built to compete with railroads already existing in the pool. Had it been possible for the pool to be managed with the idea that it was going to be a permanent thing, it is not at all out of the question (I do not say that it necessarily would have been so) that it might have been attended with a reduction in rates, from the mere fact that the parties to it were not pressing to get all the money out of it they could at the immediate time when they thought it would have broken up at some other time, and then they would have to suffer the damages. I do not say that would necessarily be the result, but it is conceivable that it should be so. In other words, if you legalize pools, while you increase the power for good or evil, you at the same time increase infinitely the chance of using it for good and lessen what is now the chance, the necessity almost, one might say, in certain instances, that it will be used for evil.



The CHAIRMAN. If you were to legalize pools would you not legalize some authority to control them?

Mr. HADLEY. I should legalize some authority to control them; but let me call attention at this point to one thing that is not generally felt in this matter. While competition cannot be trusted to regulate rates, it can be trusted to regulate railroad profits, if not actually to play the mischief with railroad profits. In other words, suppose four railroads or factories get up a pool, and by their short-sighted policy say, "We are together now; we do not know but we shall be at war a year hence; let us make high rates that will give us high profits." The very fact of their getting these high profits tempts the competition of capital in another factory; it is the same thing with a factory pool as a railroad pool. Another factory comes into the business. Does that make any difference with the rates? It makes a war when rates are low. Usually rates settle back to their old basis. It does not make any difference with rates, but it does make a difference with profits. The business that was able to support four roads well is very scant for supporting five roads. If the pool could be made permanent enough so as to have a really far-sighted policy, and if you could get your railroad men educated up to this point, which I admit is somewhat large from their interest, a permanent pool would tend to such a reduction in rates that no railroad built with sound provisions as to the borrowing power would come in competition with them.

Suppose you have four railroads, each making a good profit. If they are making a high one, a *bona-fide* road may come in and share it. If they are making simply a moderate one, and if it is obvious they are managed in such an enlightened way that they are reducing rates so as to keep their profits moderate, no *bona-fide* investment will come in for the chance of taking a share of that. I admit that the day when everything should go as smoothly as this is somewhat far off, but I cannot help thinking that is the general direction in which we ought to work. I am practically through with the points of the statement I wished to come on which my word would be specially valuable.

Senator GORMAN. I asked, on the question as to the publishing of rates, which you advocated, whether you had considered fully the existence of the Canadian Grand Trunk road. I did not fully understand your answer to that.

Mr. HADLEY. The Grand Trunk ought to be in the pool, and the policy of the Grand Trunk has been to make pooling agreements. This pool never would have been broken up a year ago if there could have been a penalty attached to the Grand Trunk for breaking its arbitration agreement, which practically amounted to a refusal to accept the arbitration. That is what broke up the pool. If there could have been a penalty attached to that refusal to accept the arbitration, as there had been under pools organized as they are on the continent of Europe, that would have made a difference. And if, also, the Grand Trunk persisted in staying out of the pool, the American railroads that were in the pool would not have had very great difficulty in freezing it out of a good deal of its business. In such a way as that it would be glad to get in. If you have a railroad that is actually so far disconnected from the American railroad system that our railroads cannot freeze it out in that way, I do not see that you can have any control over it; the country must solve its own problems, more or less, with regard to that. But I think those two things would make it possible to bring a pressure on the Grand Trunk that would keep it in the pool.

## EQUALITY OF TREATMENT OF SHIPPERS.

The CHAIRMAN. So, as I understand you, you believe that there ought to be national legislation, and that legislation ought to provide some sort of a special tribunal. Have you said anything in reference to the subject of drawbacks and rebates?

Mr. HADLEY. I intended that to be covered in general in the matter of personal discriminations. I believe that a provision for reasonable rates, with maximum and minimum, it is almost impossible to carry out, on account of the difficulty of defining cost of service, and that that difficulty has been so far felt that in practice it shows itself to be impossible.

I believe in national legislation to secure equality of treatment under like circumstances, there being no special concessions made to individual persons that are not accorded to other persons similarly situated. Whether those concessions thus afforded to all other persons be incorporated in the tariff of rates or be made by a system of rebates and drawbacks, is largely a matter of bookkeeping, as long as all rates and all rebates must be public and otherwise constitute an offense on the part of the railroad. Whether you collect the whole or pay back part of it for convenience of bookkeeping, provided you make both of these public, is a matter of secondary importance. It is, of course, desirable that these charges should be incorporated into the tariff as far as possible, but it seems to me that is a non-essential point, which might to a certain extent be left to the railroads.

I do not believe in any hard and fast legislation on the subject of local discriminations; that is to say, I think that such matters ought to be left to grow up gradually. If we could stop personal discriminations, as they did in England, we should make such a large beginning that we could afford to wait for this second point, where the principle is more doubtful and the practice infinitely more difficult.

I believe in a national commission, believe it is of the most decided importance that there should be such a national commission, to secure publicity, not merely in rates, in which matter the law would, to a large extent, take care of itself, but also in certain essential features in the accounts.

## OVERCAPITALIZATION AND DIVIDENDS.

I have not spoken of the matter of stock-watering in this connection, because it would have led us into too long a discussion. My own belief in the matter of stock-watering and of fictitious capitalization is that there ought to be no such thing as limitation of dividends, and that, with that, fictitious capitalization ought to be prohibited. I believe that a railroad, if it can earn 20 per cent. on its original investment, ought to be allowed to earn 20 per cent., but prohibit fictitious capitalization. I do not believe the limitation of dividends has actually had the effect that it would seem likely to have in the lowering of rates. Therefore I believe a railroad ought to be allowed to divide all it can, but it should keep its books so as to show what it was dividing. Then if it was dividing 20 per cent., you would soon have competing lines to reduce it, or you would soon have pressure brought to bear upon it to force it to reduce its rates; whereas now what you do is to prohibit it often to divide more than a certain amount, and in order to evade that (which is a matter of law in many States) it waters its stock and produces the same result indirectly, gives the sanction to those other forms of stock-watering which are infinitely worse, of which the most striking is the building of railroads on the proceeds of first mortgage bonds, without any real payments at all from the capital stock.

## POWERS OF A NATIONAL COMMISSION.

Finally, in regard to the commission, I think that the clothing of such a commission with judicial powers would be a somewhat hazardous experiment. I should not say that I disbelieved in it. It might be worth trying. I cannot pretend to have an opinion on the subject. But the argument that the English commission, which was clothed with judicial powers, has worked extremely well is due to a very considerable misapprehension. As far as that argument goes, we do not stand on such strong grounds as is generally supposed. I do believe most decidedly in a commission to secure publicity, and one reason why I feel great doubt about clothing our commission with judicial powers is that if it has judicial powers it will inevitably not have the same means of securing publicity, it will not have the same access to the councils of the railroads that it otherwise might. I believe in empowering them to obtain all requisite information; but the railroads will seek to hide that information if it is being given to a party that may act as judge against them in a case soon to come. And therefore, because it would interfere with the commission as a means of securing publicity, and as a means of bringing pressure on the railroad pools and railroad organization to work in the permanent interest of the public by thus coming into friendly relations with them, as of course it will have that effect, I believe to give such a commission judicial functions would be a dangerous experiment.

## WATER-ROUTES.

The CHAIRMAN. Are you familiar with the condition of the movement of France and England and other countries in reference to the opening and improving of water-ways, and what is your judgment as to its influence upon transportation charges?

Mr. HADLEY. The English water-ways—by this I mean internal water-courses, with the exception of the Thames and to a less extent the river Severn in its lower branches—are practically things of the past as far as regards any influence they have on transportation charges. The Manchester and Liverpool Ship Canal is a thing of the future. What its influence will be I cannot pretend to say, and I do not think anybody in England can be said to know as yet. I do not think the Government can be said to have a policy on that point.

In France the policy of the Government up to about 1850 was extremely favorable to the development of internal water-routes. On the whole, however, the railroads have proved themselves superior to the water-routes in the ordinary carrying power. They have no central lines of river communication that are at all equal to our lake and canal route or to the Mississippi River, and consequently the matter has turned into the background there.

The Danube, in Austria, as a regulator of railroads has a certain considerable influence. The Rhine also has a certain influence. This influence is greater at the present day than it otherwise would be, because there has been a curious war going on between Bismarck and Austria on the matter of a short-haul bill. Bismarck tried to put through a short-haul bill that should make no exception in favor of export. The Austrians retaliated by putting steamers on the Prussian rivers and sending their exports at very low rates by rail to the Austrian frontier or across Bavaria, which is not under the direction of old Prussia, and thence down the Elbe or Rhine. The Prussians retaliated against that by sending their transit and export traffic at very low rates down to a

point on the Danube just above the Austrian border line and putting their steamers on the Danube. And so there is quite a fight between Austrian rail and water routes against Austrian rail and Prussian water routes, which they say has been settled in the last few weeks, but as the agreement has not been made public I cannot pretend to judge. That has given the Central European water-routes quite an importance in the last few years they did not have ten years before.

The CHAIRMAN. I have heard it said that the English, and possibly the French Government, were commencing an expenditure of considerable money in the development of canals. I do not know whether it is true or not.

Mr. HADLEY. The expenditure of the French Government in that regard is very much less than the amount of subsidies they are giving to railroads. The French money is being expended, unless I am very much mistaken, for harbor improvements rather than for internal water communication. I can hardly believe that the information in regard to England can be true, because I think I should have known of it. There may be individual cases, but I feel justified in saying that there is no such general process.

#### JAMES H. SEYMOUR'S STATEMENT.

JAMES H. SEYMOUR (representing the New York Mercantile Exchange) appeared and said:

Mr. Chairman, I will take but a few minutes of your time in replying to some of the questions your committee has asked in your circular. I will confine my remarks mostly to those. If you wish to ask me any questions after I get through, I shall be very happy to have you do so.

#### NATIONAL COMMISSION TO PREVENT DISCRIMINATION.

In response to your first question, as to "the best method of preventing the practice of extortion and unjust discrimination by corporations engaged in inter-State commerce," I would favor a national commission, a representative commission, which would represent the principal interests of this country. I would say, first, one member to represent the railroad interest, another member to represent the mercantile interest, a third to represent the agricultural interest, a fourth the financial interest, and a fifth the manufacturing and laboring interest. That commission might be extended to seven, but it seems to me that those are the principal interests which are involved in the railroad problem.

#### LOCAL RATES TOO HIGH.

Your second question, as to "the reasonableness of the rates now charged by such corporations for local and through traffic," I think the local rates are unreasonable.

The CHAIRMAN. Too high?

Mr. SEYMOUR. I think they are unreasonably high. I think the through traffic rates are unreasonably low. I think this is unjust to the railroads. That may be a fault of theirs, however. My impression is that the railroads are responsible for many of the difficulties that we complain of.

## CONDUCT OF RAILROAD COMPANIES.

In the first place, they have come to the conclusion apparently that they are masters of the situation, and they treat it as if it was a business of their own, a private business, not a public business, and do not seem to regard themselves as doing business for the public. I do not think that the railroads are honestly managed by their officers. They do not, to my mind, treat their position as a position of trust. They treat it as if it was their individual business, and I think the people have a good right to complain. I think they are the chief cause of the depression in business in every seven or ten years. First, they throw upon the market a large amount of watered stock, which the people invest in. Some say the people have no business to invest in it, that they need not if they do not wish. That is very true, but the people must be protected. They do invest their money in these stocks when there is a boom in business and a boom in railroad stocks, and, after it is nicely invested, these things prove to be about valueless. Then those people have no money, or their means are limited to a very great extent, and therefore the consumption of all the necessities of life and all products is very much reduced. To my mind, if they had taken that money and burned it up they would be much better off, and could go to work and earn more in an honest way.

## PUBLICITY OF RATES AND CHARGES.

The first part of the third question is, "Whether publicity of rates should be required by law." I should say, yes. Next, "Whether changes of rates without public notice should be prohibited by law." I should say, yes.

## UNIFORMITY OF RATES.

And, lastly, as to "the best method of securing uniformity and stability of rates," I am not competent to answer. A railroad commission could answer that question.

## MAXIMUM AND MINIMUM RATES.

The fourth question is as to "the advisability of establishing a system of maximum and minimum rates for the transportation of interstate commerce."

I do not know that I am competent to answer that question. I hardly think that it is feasible or wise to establish such a system.

## REBATES AND DRAWBACKS.

To the first part of the sixth question, "Should any system of rebates and drawbacks be allowed?" I should say, no; that opens the door for all the mischief. You call it discrimination; I call it favoritism. That is the trouble. Rebates and drawbacks should be entirely prohibited by law.

## POOLING AGREEMENTS.

To the seventh question, "Should pooling contracts and agreements between railroads doing an interstate business be permitted, or should

they be entirely prohibited by law?" I say, they should certainly be prohibited by law. When you open the door and allow the railroads to make such arrangements, they are masters of the situation.

#### CHOICE OF LINES BY SHIPPERS.

To the eighth question, "Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?" I say, yes, decidedly. The railroad that will take your freight and transfer it to any line it sees fit, and deliver it when it gets ready, is an imposition on the shippers and the people. It would not be tolerated at any time that individuals should do business in that manner.

#### UNIFORM SYSTEM OF RATES.

The ninth question is, "By what method can a uniform system of rates for the transportation of passengers and freights by all the corporations engaged in inter-State commerce be best secured?" Not being a railroad man, I cannot answer that question intelligently.

#### THE LONG AND SHORT HAUL.

As to the tenth question, "Should corporations engaged in inter-State commerce be permitted to charge a lower proportionate rate for a long than for a short haul?" I say, yes. I think they should charge less in proportion for 200 miles than they do for 100; less in proportion for 750 miles than they do for 500 miles, and so on. Of course I think some of the local charges here are out of all proportion, because they have no competition. When they get out hundreds of miles where they have competition, speaking from this point, then they want to carry freight for nothing and make the local traffic pay for doing the business. That is an imposition on the people who live near.

#### CONCESSIONS TO LARGE SHIPPERS.

Next, "Should any concessions in the rates be allowed to large shippers except such as represent the actual difference in the expense of handling large shipments over small shipments, and should such concessions be made known to the public?" To my mind, they should be made known to the public. No extra charge should be made for one car, two, three, or four cars, or a dozen or twenty; but for one car made up of different shippers' goods they should charge more for hauling those goods; it costs more.

The CHAIRMAN. I do not know that I understand you. Is your statement that they should be allowed to charge more for one car than for four, five, or ten, proportionately.

Mr. SEYMOUR. No, sir; not if the car is filled at the same station. They should then charge no more in proportion for two, five, or ten cars than they do for one full car.

Senator HARRIS. Where the shipment is made by the same person?

Mr. SEYMOUR. There you open the door again for the railroads. I think I would confine that to the car-load, for they take every advantage of charging more where there are two or three or a dozen shippers. It does not cost them any more to load a car-load with a dozen shippers' goods than with those of one shipper. It does not cost them any more

to deliver them here, with a little additional expense in collecting their freight and a little clerk-hire, and that is so small that you can hardly count it.

The CHAIRMAN. You make a car-load the unit and say the road should be entitled to a given amount, and then if it carried 100 more cars each car should pay the same amount? Is that what you mean to say?

Mr. SEYMOUR. Yes, sir; that is it. Where there are different lots in one car, or taken up at more than one station, of course I can see that it costs a little more. They cannot refuse to put more than a certain amount in one car and fill it up at the next station, 40 miles distant, and get the additional rate; but I do not know how you are going to provide against that immediately.

#### UNIFORM SYSTEM OF ACCOUNTS.

In reply to the twelfth question, "Should corporations engaged in inter-State commerce be required to adopt a uniform system of accounts?" I should say, yes.

#### ANNUAL REPORTS TO GOVERNMENT.

The thirteenth question is, "Is it desirable that such corporations should be required to make annual reports to the Government?" I say, yes; and I would require them to make correct reports. The people do not get correct reports nowadays. I do not think anybody claims that we do.

The CHAIRMAN. You would require sworn reports?

Mr. SEYMOUR. Sworn reports—reports that are correct; and I would have a system of examining whether they were correct or not. To my mind, the reports which are made by the railroads now a days are made as encouragements to investors, but how well they share after they invest is a question.

The CHAIRMAN. From your knowledge, do you believe that the railroads are making sufficient money now to pay expenses and interest on their debts?

Mr. SEYMOUR. That depends very much on what you call it. I think they are all making money, and more than 10 per cent. on the legitimate cost.

Senator HARRIS. Do you mean by "legitimate" actual cost?

Mr. SEYMOUR. Yes, sir; legitimate, actual cost of building and operating the roads. The watering of stock is not a legitimate thing, in my view.

As to the last clause of the thirteenth question, "If so, what information as to their earnings, expenses, and operations should such reports contain?" I think those reports should contain the legitimate cost of the road and all the legitimate expenses. An expense account is a very hard account to keep, and a great many things can be charged to it, and legitimately too, I suppose; but the first cost of the road is one of the things that should be looked after closely.

#### MAINTENANCE OF WATER-ROUTES.

In answer to the fourteenth question, "In making provision for securing cheap transportation, is it or is it not important that the Government should develop and maintain a system of water-routes?" I think it is important that the Government should aid in developing many water-

routes, but I do not think it is necessary to try to develop every mud-hole in the United States. As a New Yorker, I would like to see one route developed, and that is the Hennepin Canal. The people here are interested in that. But I would not give the Government power over the water-routes at present.

The CHAIRMAN. Do you mean that you would not give the Government control over transportation on the water?

Mr. SEYMOUR. Not entire control. My reason is, first, that so long as the railroad interest has the grasp it has in this country it would not be safe. It is better to leave it to the States for the present. For instance, take our own State. If the Government took our canal, and there was no appropriation to maintain that canal, where should we be? The railroads, of course, would look after their interests, and they might try to bring about such a state of things. Then our canal would go dry.

#### A NATIONAL COMMISSION.

The fifteenth question, in regard to the best manner of enforcing legislation for the regulation of inter-State commerce, is answered, I think, in my reply to the first question.

The CHAIRMAN. In reference to a commission?

Mr. SEYMOUR. Yes, in reference to a commission. I am strongly in favor of a commission, if it is a representative commission, one that represents all the interests.

I do not know that I have anything else to say in reference to these questions.

#### CONTROL OF RAILWAY BUILDING.

The CHAIRMAN. If you have any views outside of these questions that you would like to indicate to the committee, we shall be glad to hear them, touching the general subject of regulation.

Mr. SEYMOUR. I consider railroad regulation one of the most important questions of the present time. I think there should be some stop put to this indiscriminate railroad building, railroads built for the profit of those who build them. It makes bad work for other railroads which have been well established and are doing their business well.

The CHAIRMAN. You think the Government ought to exercise some control of the question of when and where a railroad should be built?

Mr. SEYMOUR. Yes, sir; when there is a necessity for building it.

The CHAIRMAN. According to the judgment of some Government authority or State authority?

Mr. SEYMOUR. Yes, sir.

Senator HARRIS. It is a question over which the Federal Government would have very limited power.

The CHAIRMAN. That is the difficulty.

Senator HARRIS. And each State would have very large power and jurisdiction.

The CHAIRMAN. The Government of the United States can only regulate what we call inter-State commerce, and can only have anything to do with a railroad that does inter-State commerce business. So when the National Government is called upon to say when a railroad shall be built, if it is to be built solely in New York, the Government would have to stand aside; the State of New York would say whether it should be built or not. That is the embarrassment in connection with that general idea.

Senator HARRIS. I doubt very much whether Congress would have.



any power over the question of building except through its own Territories, where it has absolute jurisdiction, while it would have absolute power over the question of regulating inter-State commerce upon inter-State roads. I take a distinction between the building of a road and the commerce that may pass over it.

Mr. SEYMOUR. Our State commission would look after that business.

The CHAIRMAN. As far as your own State is concerned.

#### POOLING ARRANGEMENTS.

Senator GORMAN. You say you are unalterably opposed to pooling?

Mr. SEYMOUR. Yes, sir.

Senator GORMAN. And yet that the business interests require fixed rates; that is to say, rates which do not change from day to day?

Mr. SEYMOUR. I think the rates will have to be changed, but not changed to make them what the traffic will bear in good times and charge all they will bear in hard times.

Senator GORMAN. Unless there is a pool, how can you have uniform rates on the seven trunk lines running from New York? How is it possible to bring about that result?

Mr. SEYMOUR. That is a question.

Senator GORMAN. Have you not thought of it?

Mr. SEYMOUR. I have not considered it thoroughly. But why should a railroad, with its first-class facilities, which has the favor of the people because it does their business promptly and satisfactorily, be obliged to remain in a pool? It is not right that it should be obliged to remain in the pool, and yet, if it does not remain in, the other roads cut the rates and make its business unprofitable. I think that is a very bad custom for the railroads. A check upon railroad building and a check upon watered stock, I think, would remedy that.

#### FRANKLIN EDSON'S STATEMENT.

FRANKLIN EDSON (ex-mayor of New York City and ex-president of the New York Produce Exchange) appeared and said:

I have not given much attention specifically to the questions contained in your circular. It seems to me that perhaps I had better touch only on two points. In these questions are involved many considerations with which I am not familiar enough, at any rate, to give the committee any views which would be satisfactory to myself, and certainly they would not be satisfactory to the committee.

But there are two things which perhaps the merchants here desire more than any other things as the commencement of some reform in inter-State commerce. Those are, first, the security with which merchants may receive or merchants may ship their goods from one State to another.

#### UNIFORM BILL OF LADING.

They feel very decidedly the want of a uniform bill of lading, with such safeguards thrown about it as will, as nearly as possible, protect the shipper and the receiver of property, whether they are in the same State or not, and certainly when they are not—a bill of lading, in other words, which will be just as good and can be just as thoroughly enforced in one State as in another. That we regard as a very important measure

to be considered. As it is now, as the committee are well aware, a bill of lading issued in a Western State, covering goods shipped to New York, although there is a certain security about it, depends absolutely upon the honesty of so many men that, as a matter of fact, it is not so secure as it ought to be. A bill of lading should, in our estimation, be made—and I do not know of any other way of making it except through Congress—which will, as nearly as possible, absolutely protect the shipper and the receiver of goods. And it should include also the absolute responsibility of railroad companies for the action of their agents, which, as I understand it, in many States they entirely repudiate, as they have done in many instances.

#### UNIFORMITY OF RATES.

Another matter in which the merchants of this city, as I understand, feel a great interest is the desirability, the necessity in fact, of uniformity in rates. It is not so much the matter of the rate itself as the uniformity of rates between the States and in the States, and perhaps there is no other way except through Congress of arriving at that desired object.

#### NATIONAL RAILROAD COMMISSION.

In relation to a railroad commission—I am expressing now my individual views and not any views that I have been instructed to present to this committee—it seems to me that one of the best systems for the regulation of internal commerce that there is in existence is the English system of their Board of Trade, the head of which is a member of the cabinet. It seems to me an organization of that kind, to include what is now the Bureau of Statistics and possibly the matter of the census as well, would be of very great benefit, and possibly it would direct in a proper channel legislation which seems now to be leveled at commerce as a bad thing, and, whether intentionally or not, seems to desire its destruction as a bad thing, rather than to foster it and encourage it as a good thing. That seems to be the case in different States, if not in the National Legislature.

If there are any questions the gentlemen of the committee desire to ask, I shall be happy to answer them.

The CHAIRMAN. I do not know whether I understand you on the question of Government control. As I understand you, you are in favor of it?

Mr. EDSON. I am in favor of Government control to that extent.

The CHAIRMAN. Providing some sort of a board or tribunal that shall have control?

Mr. EDSON. With some power.

The CHAIRMAN. What sort of powers would you give them?

Mr. EDSON. That is a very great question.

The CHAIRMAN. We are trying to find out what we ought to put in a law. The States have been going on, and many of them have commissions, some of one kind and some of another, and the National Government, in its Congress, has been quarreling somewhat over the question of what sort of legislative or Governmental control should be inaugurated, and the members of the Congress of the United States differ on that question. Hence the creation of this committee to go out among the people and see whether we can find out just what we ought to do, as representatives of the people, on that great question; and it is for the purpose of learning as much as we can from business men and the representative interests of the country that we are here to-day.

Mr. EDSON. Any legislation by Congress will necessarily have to be proceeded with very conservatively, in order not to interfere to too great an extent with the rights which the railroad companies now existing have already acquired under their contracts with the different States. My view of it would be this: that if a board akin to the Board of Trade of Great Britain should proceed conservatively and continually, we should be able, after a short time, to learn how far Congress should go in legislation upon these subjects, which are very grave subjects.

The CHAIRMAN. Your idea, then, is that some power might be given to a board of trade. Do you mean the Board of Trade of New York?

Mr. EDSON. No, I do not mean that. I mean an officer of the Government, who should be also a member of the Cabinet, who should have charge of a board, which should be known, if you please, as it is in Great Britain, as the Board of Trade. With that Board of Trade all commercial affairs in connection with legislation in Great Britain usually originate.

Senator HARRIS. You mean a railroad commission or Federal tribunal to deal with these questions, constituted as you think best, would be with a Cabinet officer at its head?

Mr. EDSON. I do not mean precisely that. I mean this: a department, if you please to call it so; there it is called the Board of Trade, but the president of the Board of Trade is simply the head of a department, and with that department originates all legislation in relation to commercial affairs.

The CHAIRMAN. You regard this as a subject, generally, in which the Government ought to go very slowly, lest it make mistakes and go too far?

Mr. EDSON. I think so; but I think it should go very surely and make as rapid progress as it can consistently with the importance of the subject and with the interests which it would have to deal with.

#### INSTABILITY OF RATES OPERATES AS DISCRIMINATION.

The CHAIRMAN. Have you, as a merchant, any specific complaints to make against the railroads in your dealings, or what do you understand to be the things that are being done by the railroad companies which ought to be stopped to-day?

Mr. EDSON. There are very few things which, with my knowledge of the internal workings of a railroad company, I should be willing to say should be stopped. One of the two principal things I have already mentioned, the want of uniformity in rates of freight, is a very great drawback to commerce.

The CHAIRMAN. Do you mean by that the discriminating in favor of one person against another, or instability in rates?

Mr. EDSON. Instability in rates, and that involves also a discrimination. When the rates of freight are first changed from a higher to a lower scale, some merchants have the benefit a few days in advance of others, and that, of course, is wrong.

#### J. H. HERRICK'S STATEMENT.

J. H. HERRICK (president of the New York Produce Exchange) appeared and said:

The committee which is here representing the Produce Exchange and other commercial bodies of New York does not propose to take up the entire list of questions contained in your circular, Mr. Chairman. I think

a large majority of the merchants of the Produce Exchange of New York feel that, while legislation should be slow, a few salient points well covered will regulate a large majority of the business, and I propose merely to speak of such of these questions as seem to bear on these salient points.

#### EVILS OF DISCRIMINATION AND POOLING.

Question No. 1 is, "The best method of preventing the practice of extortion and unjust discrimination by corporations engaged in inter State commerce." I feel that perhaps one of the most decided evils under the present railroad management has been unjust discrimination. The railroads have joined together and made a pool to fix and establish rates. The circumstances of the market at either end of the route have prevented the movement of property based upon the pool rate. The temptation at once for some member of this pool to change that rate and thereby secure business has been such that we have found the roads unable to resist it. It would not do to make this cut in the rate public, and the result has been that certain favored individuals, either connected with the management of the road, or large stockholders, or on some other principle which we cannot determine, have received a discriminating rate.

The CHAIRMAN. Do you know that to be so?

Mr. HERRICK. We know it to be so. We are not prepared to prove it by legal proof such as would be required in court, but we know that when certain individuals are able to bring a very large amount of property, and nobody else can do it except at a great loss, there can be no other moral reason for such a result; and that the history of the last seven years, to any one who is familiar with business, will abundantly prove. The result of such an action has been that one road has increased in an extraordinary manner its amount of trade; the other roads have cut rates to compete with it, also cut in a secret manner, and by that means your pool has been broken up and a railroad war precipitated.

#### A NATIONAL COMMISSION.

Now, we hold that we need a commission. We propose a commission is best, at the start of this sort of legislation, which shall compel public rates of freight, which shall compel any change in those rates to be notified beforehand. We know that at certain seasons of the year the transportation of merchandise is at greater cost to the railroads than at others; we know that at certain seasons of the year the waterways compete with the railways, and therefore that a change of tariff should be necessary during the year is but natural and just; but it is unjust that these changes should be made without public notice, and to favor individuals. We therefore hold that the first thing to arrive at is the publicity of rates, and power to punish alterations of them in a surreptitious manner, power in the commission to examine the railroad books, if necessary, to ascertain facts—a power somewhere that is superior to the railroads, that can compel them to show what is the truth. If the rates on through freight are fixed, there can be no unjust discrimination; we do not fear extortion. There are so many lines of communication that natural supply and demand will take care of extortion provided the thing is kept open and above-board.

## LOCAL AND THROUGH RATES.

Question No. 2 is, "The reasonableness of the rates now charged by such corporations for local and through traffic." The present condition is abnormal. The present rates of freight are ruinous, and they are brought about by the iniquitous system which has prevailed for so many years. That has brought about its natural result.

The CHAIRMAN. You mean ruinous to the railroads?

Mr. HERRICK. Yes, sir. Such a position would never have been reached by the railways had they been prevented from cutting each others' throats by secret changes of rates.

Senator PLATT. Taking the interest of the railroads and the public together, do you think that it would be better if the grain rates from Chicago, for instance, were higher than they are now, if they could be stable at the higher figure?

Mr. HERRICK. We cannot think that anybody, either the carrier or the public, is benefited by any system which compels a ruinous loss, and the public and the railways equally suffer by the present ruinous war. That both will equally ultimately suffer I do not think admits of a doubt.

## PUBLICITY OF RATES AND CHANGES.

Question No. 3 is, "Whether publicity of rates should be required by law; whether changes of rates without public notice should be prohibited," &c. That follows as a *sequitur* to question No. 1. If the matter is public, if the rates are fixed, if they cannot be changed without public notice, everybody will be treated alike. We hold that public notice is necessary, and we consider that that hinges on No. 1.

The CHAIRMAN. And answers that question?

Mr. HERRICK. Yes, sir.

Senator GORMAN. The railroad people uniformly say that if they adopted that rule, with no power to control the Canadian Trunk line, it would enable it to direct a very large part of the traffic from New York and our Atlantic seaboard to Canada. Have you thought of that in that connection?

Mr. HERRICK. We have thought of that; and I may say that I was a violent opponent to any railroad commission for the State of New York, and argued and spoke against it and did my share to defeat it for a considerable period of time, on the ground that the State of New York could not afford to adopt an honest system of railroad management if it was going to compete with railroads in adjoining States. The railroad commission of the State of New York was finally appointed. There is a difficulty there such as is suggested about the Canadian competition.

The CHAIRMAN. Have you gotten over your opposition since the commission has been created? Have you changed your view on the subject?

Mr. HERRICK. I have accepted the *de facto* condition and am now an enthusiastic advocate of a national board, in order that the State of New York and all other States may be placed on an equal basis.

The CHAIRMAN. And controlled alike?

Mr. HERRICK. Yes, sir. I think the fact that New York and Massachusetts have a commission makes it almost vital that a national commission should be established. But I wanted to begin at the other end; I wanted the national commission first and the State commissions to follow. There is a difficulty, as is suggested, in the Canadian competition; but I think if we can regulate as big a country as the United States,

with the number of railroads we have, we can afford to take our chance with the Canadian competition, particularly as a number of months in the year they are out of the question. But that the entire mercantile interest of the United States should be subservient to the Grand Trunk in Canada I think is a fallacy.

Senator GORMAN. As a merchant, would you run the risk, treating it as an open question, of making an iron rule about the publication of your rates?

Mr. HERRICK. I have not come to that yet. I would not. I am satisfied that, on broad principles, you can govern this thing without going into too nice questions of transportation and capital, &c. If you fix the grand principle, I do not fear the working out of it, because the talent in the railroad interest is not surpassed by any talent in the country, and I believe they will take care of the Canadian competition in conjunction with the merchants. Heretofore the merchants and railroad companies have never worked hand in hand. We have felt that they were a monopoly over us; no single firm or merchant had any chance at a railroad company unless he had special advantages, and I mean by special advantages opportunities of being in the ring. I do not like to use quite as strong language as that, but I mean to imply it.

#### MAXIMUM AND MINIMUM RATES.

One of your questions is as to "the advisability of establishing a system of maximum and minimum rates for the transportation of inter-State commerce." I am quite satisfied to leave that to competition if the thing is even and fair. We are great believers in the "survival of the fittest." We are great believers in the fact that if a man cannot take care of his end in a mercantile business, if he has a fair show, he had better go out. All the merchants of New York want is a fair show; all that any merchants want is a fair show, an even chance, and then the fittest ought to survive.

The various elements of cost, the conditions of business, and other factors that should be considered in fixing the tariff on inter-State traffic are questions which the merchants, as a whole, unless they have large railroad experience, are not competent to judge of. We have our statistics of what the cost is per ton per mile, and what the results are, but we leave the details to experts in such questions.

#### REBATES AND DRAWBACKS.

Question No. 6 is, "Should any system of rebates and drawbacks be allowed?" There is no good basis for rebates and drawbacks if your rate is public. The object of rebates and drawbacks is that the grand public shall be deceived and the party favored shall receive the drawback. It hinges on the first principle, impossibility to discriminate. Therefore we are opposed to any system of rebates or drawbacks. On that basis they should be prohibited.

You will understand, gentlemen, that we are not attempting to make this any more than general. There may be some questions on No. 6 which a finer and more close consideration than I am able to give the matter at present might vary, but at the moment I do not discover them.

#### POOLING ARRANGEMENTS.

Referring to question No. 7, in regard to the permission or prohibition of pooling contracts between railroads doing an inter-State business, I would not prohibit pooling contracts by law.

The CHAIRMAN. Would you authorize them?

Mr. HERRICK. No, sir.

The CHAIRMAN. What would you do with them?

Mr. HERRICK. I would have a commission of such ability that the general management of that question could rest with that commission.

The CHAIRMAN. Leave it in the hands of a commission, with authority to permit the existence of pools and control them?

Mr. HERRICK. Yes, sir.

The CHAIRMAN. That would be substantially a recognition and regulation of them?

Mr. HERRICK. Yes, sir. I think railroads are entitled to certain rights, but they should not be our masters; and they have been our masters, and if we do not do something to regulate them that mastery will increase rather than decrease. It was on that account that the merchants came up almost in a body and asked that some sort of regulation be placed over our masters.

Senator GORMAN. If pooling was legalized, and the rates fixed published as you suggest, would not that accomplish precisely your object?

Mr. HERRICK. Not precisely. What would be the natural tendency of five men or sets of men owning railroads if they found that the general plan for making discriminating and secret rates was absolutely wiped out? Their next most legitimate point of attack on the public purse would be to make a strict monopoly and too high rates, and, under a pooling system which could be carried out during the winter months, the public would be in their hands. It is to provide against what would be manifestly an extortion that I would leave a certain discretion with the commission. Merchants do not want the railroads to lose money, but the merchants do not hold that railroads were made to make 15 or 20 per cent. dividends if they do it at the expense of the commerce of the country.

Senator GORMAN. Suppose the rates are fixed, with the approval of a commission, so that they should be low and at the same time uniform. As I understood your first proposition, the great necessity is to have uniform and reasonable charges alike to everybody.

Mr. HERRICK. Yes, sir; alike to everybody.

Senator GORMAN. Can you have that, when there are seven trunk lines, unless there is a pooling arrangement? Is there any other way to do it?

Mr. HERRICK. I have not objected to pooling.

Senator GORMAN. I am asking for information.

Mr. HERRICK. That is a broad question. It has never been tried on a fair basis. The pooling arrangement has never had a fair chance to be tried. Neither has a fair, square dealing ever had a chance to be tried.

Senator GORMAN. But I am now supposing another case, whether it would be a proper thing to do in the interest of trade if pooling was legalized and the rates fixed by the consent of a commission appointed by the United States Government, insuring that the rates should be reasonable. With that condition of affairs, what would be the interest of the people, of the merchants especially?

Mr. HERRICK. With uniform rates and no change without notice, I am inclined to think it would work. I answer in the affirmative.

Senator PLATT. Provided that violations of the rates could be punished.

Senator GORMAN. Of course.

Mr. HERRICK. And punished promptly, not allowing years of legal chicanery.

## THE LONG AND SHORT HAUL.

Your tenth question is, "Should corporations engaged in inter-State commerce be permitted to charge a lower proportionate rate for a long than for a short haul?"

There are economic questions there which railroad experts can perfectly well answer. There is a difference in cost, the legitimate cost of the difference between a single car and a number of cars, a large quantity and a small quantity, in the expense to the railroad. Whatever that legitimate and honest difference is no merchant would object to paying.

That statement covers question No. 11, as to concessions.

## ACCOUNTS OF INTER-STATE CARRIERS.

Your twelfth question is, "Should corporations engaged in inter-State commerce be required to adopt a uniform system of accounts?"

This is one of the salient points upon which I would make a very decided argument. I say that the public have been deceived, and the true state of the affairs of corporations has not been made public, as the law intended it should be. I do not think it admits of a question of doubt, in view of the variety of systems of keeping accounts.

The CHAIRMAN. I understand that there is a law in your State now requiring a uniform system of accounts?

Mr. HERRICK. I think there is, and I believe, as far as it has gone, it has worked very well. I am not as familiar with it as I might have been had I expected any question of that kind, but my general idea is that that has been very satisfactory indeed.

The CHAIRMAN. Your railroad commissioners seem to regard it as being tolerably well observed and very important.

Mr. HERRICK. Yes, sir, and working to advantage.

## REPORTS OF TRANSPORTATION COMPANIES.

Referring to question No. 13, I do not personally favor the making of annual reports to the Government by corporations engaged in inter-State commerce.

The CHAIRMAN. Do you not think the Government ought to have some information about what is going on?

Mr. HERRICK. Only what it gets through the commission; and if you make a uniform system of accounts by the corporations, the Government can get from them all the information that it seems to me important it should have. I go back to a uniform system of accounts which are honest accounts, and a system can be devised and enforced which will be sufficiently clear for the Government information. I do not want to put the railroads at the mercy of the Government, as the merchants have been at the mercy of the railroads. All we want is that the two shall be kept on a parity; we have to appeal to the National Government to keep us on a parity; but I do not believe in the Government taking special control of railroads. There is a distinction there which I have endeavored to make clear.

## NATIONAL WATER-ROUTES.

The question of water-ways involves the general question of internal provement, which merchants do not care to discuss.



The CHAIRMAN. They are in favor of the Erie Canal, I suppose?

Mr. HERRICK. They are very much in favor of the Erie Canal. I do not know whether I am in favor of the Government enlarging the Erie Canal, at enormous expense, or not. I am not prepared to say that I am. I think the State of New York, perhaps, will take care of that question.

#### THROUGH BILLS OF LADING.

Question No. 15, in regard to the best manner of regulating interstate commerce, I pass. Having given a general idea of my view, I do not think it necessary to speak to that question.

The CHAIRMAN. That question refers to the commission.

Mr. HERRICK. If the law-makers have the information which the commission can give them, we are safe in the system they will devise.

There is one other question I wish to speak to. In 1862, by the collusion of a large flour miller in Ohio with a duly accredited railroad agent, we received bills of lading for vast quantities of flour, signed bills of lading for flour, which the agent had never received, he being a personal friend of the miller. In due time it was discovered that there had been no shipments, and the railroad company settled with my firm for these fraudulent bills of lading, on the ground that they were signed by a duly accredited agent. Within eighteen months or thereabouts very large bills of lading of a similar character have been signed in Texas for cotton by the duly accredited agents of those railroads, and I understand that those bills have been thrown out in courts of justice, on the ground that the duly accredited agent of the railroad in Texas exceeded his power by signing a bill of lading for property which he had not got. We hold that the railroad company is placed in a position to deceive and defraud the merchants out of thousands of dollars by a dishonest agent; and if that is the law, in the regulation of this railroad system, if a railroad chooses to appoint an agent, it should be responsible for his acts, and the bill of lading he signs should be a valid title to something in the hands of the merchant of New York who advances money on it.

The system has also obtained of the refusal on the part of connecting railroads between here and Kansas City, for example, to recognize through contracts. Shipments of grain pass over, perhaps, three or four different railways. The railroad in Kansas that takes the property originally states that this freight is engaged at 35 cents a hundred, if you please, through to New York. It passes on from one railroad to another, and when it arrives in New York the rate charged on it is 45 cents a hundred, and the railway companies ask us here, on the arrival of that freight, "What bill of lading have you got?" "A Kansas bill of lading, an established rate of 35 cents." "We do not know anything about it; the rates are so and so over those different branches of this continuous line, and you must go to Kansas to collect your overcharge."

We hold that a through bill of lading should mean something, and that when the adjoining railroad takes this stuff chartered at Kansas City at 35 cents a hundred, if it takes it from the beginning of its road, it is bound to understand at what the original contract was, and has no right to alter it. In other words, we want a through bill of lading made valid, so that the parties who take the goods from the road, beginning at the original starting point, on a continuous line, shall be bound by the contract if they see fit to move the goods. A merchant makes his advance based on the rate of 35 cents a hundred. I have had it come here at 55 cents a hundred, and was referred to a Western

railroad about which I knew nothing and which I could not reach, and I had paid the original shipper of that property its full value or more. We think that in the regulation of inter-State railways these two points are the salient points to which I alluded; and that completes all I have to say.

#### PUBLICITY OF RATES AND CHARGES.

Senator GORMAN. One more question, for my information. You insist upon no change of rates by railroads for freights and passengers without notice of five or ten days. In addition to the reasons heretofore referred to about the Grand Trunk Railroad in Canada, it has been urged that that would operate against business in our Atlantic ports in thousands of cases that come up where orders are received from across the water by cable for shipment of grain or produce of any sort at a lower rate than the current rate. Large sales are made in that way, and it is said the orders could not be filled unless there was power in the railroad companies to give a special rate upon that particular shipment. How much truth is there in that allegation?

Mr. HERRICK. The truth is that through bills of lading from Duluth, Milwaukee, Chicago, and probably farther western points, to Liverpool, have been in the last eighteen months made at such rates that a New York merchant cannot compete, and our tables of receipts and exports will show through shipments of property to Liverpool and London at rates that no merchant in the city of New York could compete. We draw from that the moral conclusion that through rates to Liverpool have been made for less than they would bring the goods to New York.

Senator GORMAN. In other words, the Western shipper has the advantage of it, and not the merchant in New York?

Mr. HERRICK. Yes, sir.

Senator GORMAN. How would it affect sales so far as the country at large is concerned? Should we be the losers by a rigid, iron rule such as you speak of, of no change of rates except on ten days' notice? How would it affect the country at large? How many sales, in all probability, would you lose in a year?

Mr. HERRICK. I assumed, in speaking on that question, that the rates would be varied to meet the seasons. For instance, the rates would advance about the middle of November, and the rates would begin to decline about the first of March. In that view, I am unable to see how the country at large, or anybody, would be a sufferer. If we command the markets of the world with the produce we have to sell, these cheaper rates are only favoring individuals; they are only putting my neighbor or my correspondent in Liverpool at a better advantage than I am to move the property. If foreign markets want our produce they will take it. Base the charges on the seasons and the cost of transportation, and I think the matter will take care of itself.

Senator GORMAN. You think, then, that no considerable branch of trade would be affected by it?

Mr. HERRICK. I think not.

#### THROUGH BILLS OF LADING.

Senator PLATT. Where through bills of lading are given from Chicago to Liverpool for grain, who engages the ocean freight, the railroad company or the purchaser in Liverpool. Who is responsible for that? Who assumes the ocean freight?

Mr. HERRICK. The through rate of freight is made in Chicago to Liverpool.

Senator PLATT. And does the railroad company assume the ocean freight?

Mr. HERRICK. The line issuing the bill of lading at Chicago assumes the ocean freight. In that connection I will give you a case which may not particularly bear on it, although the Produce Exchange is carrying a question connected with it to the court of appeals. A through bill of lading was issued from Memphis or Texas (I think from Memphis) for, say, 5,000 bales of cotton to Liverpool. The cotton arrived in New York over the Erie Railroad and was delivered on the National Steamship Company's dock, according to their order, subject to the back freight from Memphis to New York. It was delivered at 5 o'clock in the afternoon, and before 7 o'clock next morning it was burned up. The Erie Railroad Company demanded the amount of freight earned and which they had paid to the corresponding lines on that cotton. That has been the uniform system pursued, as I understand, when the railroad company land property, either grain or cotton, on the foreign steamers' wharf or put it into the vessel—the back freight is collected. The National Steamship Line claimed that as this was a through bill of lading the freight was not due until the cotton was delivered in Liverpool, contrary to the custom; and the suit is going on to-day on that subject. I speak of that merely as bearing on the question asked as to a through bill of lading.

Senator PLATT. Do you regard the practice, which has commenced, I suppose, somewhat recently, of issuing through bills of lading as the commencement of a practical consolidation of railroad lines in this country with the steamship lines?

Mr. HERRICK. No, sir.

Senator PLATT. Is it likely to grow into that?

Mr. HERRICK. I think not. I think it grew out of being a method whereby rates could be surreptitiously cut; nobody could tell whether the reduction was on the ocean freight or on the rail freight. If we get an even thing all these matters will take care of themselves.

#### H. V. POOR'S STATEMENT.

HENRY V. POOR (editor of the Manual of the Railroads of the United States) appeared.

The CHAIRMAN. You are perfectly familiar, as I understand from your publications, with all the facts connected with the construction of railroads, the amount of capital invested, the number of miles of road, and other facts of that kind mentioned in your book. If you have any information in reference to the building of railroads, and the cost of railroads, and whether the cost as given is the actual cost, or what proportion of the apparent cost is watered stock, and the manner in which the watered stock was introduced, we should like to hear from you.

#### RAILROAD MILEAGE OF THE UNITED STATES.

Mr. POOR. In reply to your first question, I annex hereto two tabular statements, the first showing the number of miles of railroad constructed each year, and the number of miles in operation at the close of each year in the United States from 1830 to the close of 1883, inclusive, the second showing the number of miles in each State and groups of States, in the United States, at the close of each year from 1871 to 1883, inclusive.

## STATEMENT I.

*Statement showing the number of miles of railroad constructed and in operation each year in the United States from 1830 to the close of 1883, inclusive.*

Year.	Miles in operation.	Annual increase of mileage.	Year.	Miles in operation.	Annual increase of mileage.	Year.	Miles in operation.	Annual increase of mileage.
1830.....	23		1848.....	5,996	398	1866.....	36,801	1,742
1831.....	95	72	1849.....	7,365	1,369	1867.....	39,250	2,449
1832.....	229	134	1850.....	9,021	1,656	1868.....	42,229	2,979
1833.....	380	151	1851.....	10,982	1,961	1869.....	46,844	4,615
1834.....	633	253	1852.....	12,908	1,926	1870.....	52,914	6,070
1835.....	1,098	465	1853.....	15,360	2,452	1871.....	60,291	7,379
1836.....	1,273	175	1854.....	16,720	1,360	1872.....	66,171	5,878
1837.....	1,497	224	1855.....	18,774	1,654	1873.....	70,268	4,107
1838.....	1,913	416	1856.....	22,016	3,247	1874.....	72,383	2,105
1839.....	2,302	389	1857.....	24,503	2,487	1875.....	74,696	1,712
1840.....	2,818	516	1858.....	26,968	2,465	1876.....	76,080	2,712
1841.....	3,535	717	1859.....	28,789	1,821	1877.....	79,088	2,281
1842.....	4,026	491	1860.....	30,635	1,846	1878.....	81,774	2,687
1843.....	4,185	159	1861.....	31,286	651	1879.....	86,497	4,721
1844.....	4,377	192	1862.....	32,120	834	1880.....	93,454	7,174
1845.....	4,633	256	1863.....	33,170	1,050	1881.....	103,242	9,789
1846.....	4,930	297	1864.....	33,908	738	1882.....	114,338	11,596
1847.....	5,598	668	1865.....	35,085	1,177	1883.....	121,592	6,753

## STATEMENT II.

*Statement of miles of railroad in each State and group of States, December 31, 1871-1883.*

	1883.	1882.	1881.	1880.	1879.	1878.	1877.	1876.	1875.	1874.	1873.	1872.	1871.
Maine.....	1,099	1,056	1,027	1,005	1,009	989	989	989	980	957	905	871	871
New Hampshire.....	1,042	1,038	1,021	1,015	1,019	1,009	964	940	934	918	877	810	790
Vermont.....	937	925	916	914	873	873	872	810	810	778	721	710	675
Massachusetts.....	1,979	1,967	1,959	1,915	1,870	1,872	1,863	1,837	1,817	1,786	1,755	1,658	1,606
Rhode Island.....	211	211	211	210	210	208	204	189	179	173	159	136	138
Connecticut.....	963	963	960	923	922	922	922	918	918	897	897	868	820
New England.....	6,231	6,158	6,091	5,977	5,903	5,873	5,814	5,633	5,638	5,509	5,314	5,053	4,898
New York.....	7,349	6,991	6,260	5,991	6,008	5,877	5,725	5,525	5,423	5,250	5,165	4,925	4,470
New Jersey.....	1,874	1,862	1,773	1,684	1,663	1,663	1,661	1,601	1,511	1,438	1,418	1,378	1,265
Pennsylvania.....	7,236	6,884	6,556	6,191	6,068	6,011	5,902	5,794	5,705	5,575	5,297	4,949	4,742
Delaware.....	282	282	275	275	280	280	272	272	272	272	248	227	200
District of Columbia.....	21	21											
Maryland.....	1,098	1,077	1,065	1,040	996	952	944	944	929	900	900	866	820
West Virginia.....	948	813	706	601	694	669	638	618	615	615	615	609	533
Middle States.....	18,808	17,980	16,434	15,870	15,679	15,452	15,142	14,754	14,455	14,050	13,643	12,954	12,630
Virginia.....	2,553	2,540	2,220	1,893	1,672	1,646	1,635	1,618	1,608	1,608	1,538	1,502	1,453
North Carolina.....	1,812	1,781	1,645	1,486	1,446	1,435	1,426	1,399	1,356	1,343	1,275	1,250	1,190
South Carolina.....	1,549	1,508	1,479	1,427	1,424	1,419	1,406	1,353	1,335	1,320	1,320	1,290	1,201
Georgia.....	2,933	2,878	2,561	2,459	2,460	2,415	2,339	2,306	2,264	2,260	2,260	2,160	2,108
Florida.....	1,157	964	693	548	519	497	485	485	484	484	466	400	468
Alabama.....	2,059	1,901	1,859	1,843	1,832	1,832	1,801	1,800	1,800	1,782	1,722	1,623	1,496
Mississippi.....	1,616	1,303	1,182	1,127	1,140	1,126	1,088	1,084	1,018	1,018	990	990	990
Louisiana.....	1,204	1,010	914	652	544	466	466	466	466	466	466	466	466
Tennessee.....	2,112	2,065	1,900	1,843	1,701	1,665	1,656	1,645	1,630	1,630	1,620	1,520	1,520
Kentucky.....	1,852	1,745	1,672	1,530	1,595	1,528	1,509	1,475	1,326	1,326	1,320	1,266	1,121
Southern States.....	18,846	17,605	16,126	14,811	14,333	14,019	13,811	13,631	13,287	13,237	12,977	12,538	12,011
Ohio.....	7,317	6,901	6,289	5,792	5,521	5,151	4,878	4,687	4,461	4,398	4,258	4,108	3,740
Michigan.....	5,151	5,693	4,362	4,017	3,673	3,593	3,477	3,395	3,346	3,315	3,253	2,976	2,116
Indiana.....	4,543	5,372	4,759	4,373	4,336	4,198	4,057	4,003	3,963	3,890	3,714	3,649	3,539
Illinois.....	9,028	8,836	8,420	8,011	7,578	7,448	7,334	7,285	7,109	6,759	6,589	6,361	5,904
Wisconsin.....	4,039	3,811	3,457	3,155	2,896	2,810	2,701	2,636	2,566	2,546	2,360	1,878	1,725
Minnesota.....	3,906	3,735	3,338	3,151	3,008	2,535	2,194	2,020	1,990	1,990	1,950	1,906	1,612
Dakota Territory.....	2,495	2,084	1,668	1,255	400	320	280	275	275	275	275	275	234
Iowa.....	7,216	6,967	6,164	5,400	4,779	4,266	4,134	3,939	3,850	3,765	3,728	3,643	3,160

## STATEMENT II—Continued.

	1883.	1882.	1881.	1880.	1879.	1878.	1877.	1876.	1875.	1874.	1873.	1872.	1871.
Nebraska.....	2,696	2,498	2,277	1,953	1,634	1,344	1,286	1,217	1,167	1,107	1,107	1,051	943
Kansas.....	3,964	3,820	3,609	3,400	3,103	2,427	2,352	2,238	2,150	2,150	2,106	2,063	1,760
Missouri.....	4,619	4,501	4,207	3,965	3,740	3,286	3,198	3,146	2,905	2,880	2,858	2,673	2,580
Indian Country.....	353	350	295	289	275	275	275	275	275	275	275	275	92
Arkansas.....	1,732	1,488	1,002	859	808	783	767	767	740	700	700	450	258
Texas.....	6,075	6,009	4,913	3,244	2,591	2,428	2,210	2,031	1,685	1,650	1,578	1,078	865
Colorado.....	2,832	2,766	2,187	1,570	1,208	1,165	1,405	957	807	682	603	483	328
New Mexico Territory.....	1,140	1,089	1,047	758	118	8							
Wyoming Territory.....	625	625	576	512	472	472	465	459	459	459	459	459	459
Idaho Territory.....	777	494	278	209	220	80							
Utah Territory.....	1,124	1,062	877	842	593	543	506	506	506	459	372	349	257
Montana Territory.....	1,032	630	238	81	10								
Western States.....	71,564	67,732	59,956	52,828	46,963	43,132	41,169	39,836	38,254	37,300	36,179	33,677	29,562
Nevada.....	948	948	895	739	720	627	627	627	601	601	601	601	593
California.....	2,881	2,636	2,309	2,195	2,209	2,149	2,080	1,919	1,503	1,328	1,208	1,042	1,013
Arizona Territory.....	866	713	497	349	183	27							
Oregon.....	950	756	573	507	295	283	248	248	248	248	241	241	150
Washington Territory.....	498	362	362	178	212	212	197	110	110	110	105	65	25
Pacific States.....	6,143	5,414	4,635	3,967	3,619	3,298	3,152	2,904	2,462	2,287	2,155	1,949	1,790

## RECAPITULATION OF STATEMENT II.

	New England States.	Middle States.	Southern States.	Western States.	Pacific States.	Grand total.
1871.....	4,898	12,030	12,011	29,562	1,790	60,291
1872.....	5,053	12,954	12,538	33,677	1,949	66,171
1873.....	5,314	13,643	12,977	36,179	2,155	70,268
1874.....	5,509	14,050	13,237	37,300	2,287	72,383
1875.....	5,638	14,455	13,287	38,254	2,462	74,096
1876.....	5,683	14,754	13,631	39,836	2,904	76,808
1877.....	5,814	15,142	13,811	41,169	3,152	79,088
1878.....	5,873	15,452	14,019	43,132	3,298	81,774
1879.....	5,903	15,679	14,333	46,963	3,619	86,497
1880.....	5,977	15,870	14,811	52,828	3,967	93,453
1881.....	6,091	16,434	16,126	59,956	4,635	103,242
1882.....	6,158	17,930	17,605	67,732	5,414	114,838
1883.....	6,231	18,808	18,846	71,564	6,143	121,592

## COST OF THE RAILROADS OF THE UNITED STATES.

In answer to your second question, I estimate the cost of the 121,592 miles of railroad in the United States up to the close of 1883 at \$40,000 per mile; the gross cost, as estimated, being \$4,863,720,000, or \$5,000,000,000 in round numbers. The number of miles of railroad, an account of the operations of which was received by me, was 120,551. The gross amount of share capital issued by all the companies from which such accounts were received equaled \$3,108,060,583; of bonded debt, \$3,455,040,383; of floating debt, \$332,370,345, the total of the three items being \$7,495,471,311. If the estimate of cost, \$40,000 per mile, be correct, the excess of issue of stock, bonds, and floating debt over cost equaled, in round numbers, the sum of \$2,500,000,000. The cost, among other things, of the railroads of the several States and groups of States will appear in the following tabular statement:

## STATEMENT III, PART I.

*Statement showing the number of miles of railroad in each State, and groups of States, of the United States; the equipment belonging to the same; the amount of their share capital and funded debts; their total liabilities and cost; the result of their operations, and the amounts paid by way of interest and dividends, for the year ending December 31, 1883:*

	Railroad.		Steel rail in track.	Engines.	Cars.		
	Total line.	Total track.			Passenger.	Baggage, mail, and express.	Freight.
	Miles.	Miles.	Miles.	Number.	Number.	Number.	Number.
Maine .....	1, 160. 88	1, 337. 30	591. 20	144	155	64	3, 201
New Hampshire.....	893. 23	1, 097. 27	369. 07	142	136	56	3, 218
Vermont.....	868. 70	1, 032. 55	534. 67	171	128	56	3, 859
Massachusetts.....	2, 278. 10	3, 931. 13	2, 171. 08	1, 044	1, 413	361	23, 061
Rhode Island.....	147. 21	226. 00	137. 30	47	63	17	554
Connecticut.....	974. 50	1, 439. 11	936. 16	271	433	178	6, 319
New England.....	6, 322. 62	9, 063. 36	4, 739. 48	1, 819	2, 328	727	40, 212
New York.....	7, 234. 10	10, 966. 13	8, 211. 30	2, 623	2, 860	660	99, 352
New Jersey.....	1, 844. 44	3, 022. 96	757. 77	630	813	166	11, 087
Pennsylvania.....	6, 665. 41	11, 254. 57	6, 915. 37	3, 345	2, 225	597	170, 655
Delaware.....	320. 29	252. 11	17. 00	12	14	7	176
Maryland.....	1, 166. 68	1, 814. 57	1, 041. 79	719	470	115	18, 757
West Virginia.....	400. 65	465. 88	249. 59	22	21	2	560
Middle States.....	17, 531. 57	27, 776. 22	17, 192. 82	7, 351	6, 403	1, 547	300, 587
Virginia.....	2, 808. 49	3, 221. 62	1, 917. 21	588	290	157	13, 056
North Carolina.....	1, 617. 80	1, 722. 30	330. 00	121	80	33	1, 650
South Carolina.....	1, 592. 20	1, 714. 17	596. 45	178	115	56	2, 623
Georgia.....	2, 887. 40	3, 119. 25	1, 304. 86	318	219	161	6, 039
Florida.....	1, 063. 97	1, 132. 19	400. 34	75	76	29	955
Alabama.....	1, 892. 22	2, 077. 36	651. 62	190	105	42	2, 903
Mississippi.....	750. 86	790. 57	427. 20	46	43	16	660
Louisiana.....	1, 453. 50	1, 581. 15	1, 247. 04	138	137	83	2, 572
Tennessee.....	2, 264. 21	2, 528. 50	1, 056. 40	305	166	71	6, 798
Kentucky.....	2, 535. 15	3, 578. 53	1, 757. 45	555	313	134	16, 171
Southern group.....	18, 865. 80	21, 465. 64	9, 688. 57	2, 514	1, 544	732	53, 427
Ohio.....	9, 032. 96	11, 405. 41	7, 744. 60	2, 390	1, 413	552	88, 283
Michigan.....	4, 777. 64	6, 150. 95	4, 210. 60	890	1, 469	194	23, 579
Indiana.....	6, 454. 17	7, 426. 75	3, 519. 11	1, 304	609	306	38, 168
Illinois.....	12, 882. 34	16, 041. 32	9, 086. 57	2, 433	1, 238	507	75, 913
Wisconsin.....	6, 297. 76	6, 972. 85	2, 458. 00	819	410	230	24, 337
Minnesota.....	5, 273. 09	6, 093. 02	4, 223. 47	787	353	209	20, 028
Dakota.....	237. 40	244. 50	.....	.....	.....	.....	.....
Iowa.....	3, 184. 67	3, 453. 64	1, 110. 27	236	121	52	6, 162
Nebraska.....	2, 481. 95	2, 866. 47	1, 087. 00	342	201	78	6, 548
Kansas.....	3, 734. 14	4, 217. 41	2, 017. 80	493	244	164	12, 676
Missouri.....	6, 366. 68	7, 364. 66	4, 026. 80	777	343	192	20, 659
Arkansas.....	1, 059. 72	1, 134. 84	63. 03	112	65	36	1, 797
Texas.....	5, 804. 60	6, 275. 67	1, 763. 27	545	320	130	14, 656
Colorado.....	2, 198. 96	2, 362. 08	934. 05	255	126	84	6, 087
Wyoming.....	519. 11	521. 00	.....	35	8	9	486
Western group.....	70, 345. 19	82, 550. 57	42, 645. 57	11, 418	6, 920	2, 743	340, 079
California.....	3, 375. 21	3, 891. 94	2, 277. 95	414	492	116	8, 354
New Mexico.....	880. 62	972. 04	767. 22	33	58	17	1, 110
Arizona.....	384. 17	409. 62	384. 17	79	37	13	1, 361
Utah.....	1, 285. 28	1, 354. 50	390. 00	73	58	23	1, 051
Nevada.....	502. 25	560. 22	369. 50	37	19	12	807
Oregon.....	1, 021. 70	1, 099. 30	36. 00	76	35	18	1, 582
Washington.....	37. 80	39. 40	.....	9	6	.....	141
Pacific group.....	7, 486. 48	8, 327. 02	4, 224. 84	721	704	199	14, 356

## RECAPITULATION BY GROUPS OF STATES.

New England.....	6, 322. 62	9, 063. 36	4, 739. 48	1, 819	2, 328	727	40, 212
Middle.....	17, 531. 57	27, 776. 22	17, 192. 82	7, 351	6, 403	1, 547	300, 587
Southern.....	18, 865. 80	21, 465. 64	9, 688. 57	2, 514	1, 544	732	53, 427
Western.....	70, 345. 19	82, 550. 57	42, 645. 57	11, 418	6, 920	2, 743	340, 079
Pacific.....	7, 486. 48	8, 327. 02	4, 224. 84	721	704	199	14, 356
United States.....	120, 551. 66	149, 182. 81	78, 490. 92	23, 823	17, 899	5, 948	748, 661
United States, 1882.....	114, 461. 32	140, 960. 50	68, 691. 43	22, 114	15, 551	5, 366	710, 451

## STATEMENT III, PART II.

	Capital invested.			Cost of road and equipment.	Length of line operated.	Passenger train service.
	Share capital.	Funded debt.	Total investment.			
					<i>Miles.</i>	<i>Miles.</i>
Maine .....	\$19,800,986	\$21,435,900	\$41,890,037	\$41,185,156	1,036.40	1,551,152
New Hampshire .....	17,917,500	6,983,600	27,206,425	26,951,456	669.09	1,218,940
Vermont .....	22,210,800	18,930,900	41,714,196	40,131,676	888.60	1,558,324
Massachusetts .....	97,664,052	83,088,704	192,623,818	176,227,039	2,488.93	10,972,082
Rhode Island .....	4,649,871	2,218,678	6,906,625	6,260,481	138.73	715,445
Connecticut .....	36,300,849	11,089,200	49,975,950	47,197,994	981.14	3,990,358
New England .....	198,544,058	144,346,982	360,317,081	337,953,802	6,202.89	20,006,301
New York .....	463,387,594	336,577,466	830,450,554	807,965,175	6,943.01	20,648,753
New Jersey .....	107,450,165	117,535,997	235,568,185	195,453,953	1,428.86	7,771,284
Pennsylvania .....	377,042,392	390,759,529	823,785,780	471,199,712	6,186.32	19,444,517
Delaware .....	5,036,789	6,900,000	11,957,789	6,433,651	161.77	310,874
Maryland .....	44,166,053	41,570,926	88,784,121	98,382,279	1,085.31	6,310,184
West Virginia .....	15,074,198	6,571,000	21,989,545	17,502,873	168.96	503,332
Middle States .....	1,012,157,191	899,914,618	2,012,535,974	1,596,937,643	15,974.23	54,986,944
Virginia .....	94,483,078	91,262,214	196,435,050	167,855,270	2,738.80	3,851,028
North Carolina .....	27,319,550	16,558,158	44,414,406	43,187,994	1,235.70	1,025,139
South Carolina .....	16,701,160	25,834,150	48,491,756	41,662,360	1,492.20	1,604,051
Georgia .....	36,299,844	35,837,000	73,929,458	64,689,060	2,559.22	2,475,215
Florida .....	16,313,800	14,300,200	31,205,618	26,728,921	725.78	193,470
Alabama .....	32,238,623	36,627,740	70,845,101	63,534,441	1,658.81	1,688,686
Mississippi .....	22,741,923	20,395,841	43,671,525	42,091,705	341.26	276,996
Louisiana .....	33,310,600	45,704,000	79,299,927	79,393,160	622.63	1,708,899
Tennessee .....	63,988,638	67,272,500	136,524,496	122,367,780	2,320.60	2,840,510
Kentucky .....	61,450,695	103,567,580	168,516,536	141,795,351	1,894.54	3,233,172
Southern group .....	404,792,911	457,360,083	888,303,873	793,126,042	15,589.63	18,987,166
Ohio .....	382,448,654	359,401,811	765,983,258	725,854,696	7,480.24	17,251,823
Michigan .....	88,699,841	92,763,003	193,487,084	180,201,519	4,363.85	8,264,180
Indiana .....	139,880,946	150,148,159	302,733,085	278,686,815	6,934.61	11,343,528
Illinois .....	305,252,210	285,948,041	606,870,185	588,480,641	14,215.44	19,505,352
Wisconsin .....	91,112,224	127,510,800	222,640,049	221,506,020	5,908.73	6,697,331
Minnesota .....	178,768,932	105,496,540	319,442,148	307,956,233	4,547.33	3,513,555
Dakota .....	4,388,000	4,383,000	8,766,000	8,766,000	.....	.....
Iowa .....	66,616,471	45,093,120	116,802,055	109,054,990	2,046.18	1,611,725
Nebraska .....	66,049,400	138,814,385	208,412,097	169,256,412	1,905.16	3,185,882
Kansas .....	88,220,722	70,897,500	165,021,289	161,627,439	3,438.41	3,394,772
Missouri .....	187,704,303	170,593,726	365,284,966	308,884,233	5,216.41	6,354,906
Arkansas .....	18,301,909	20,997,668	41,327,715	41,128,305	332.66	321,776
Texas .....	101,423,180	133,017,450	242,178,566	225,471,095	4,755.15	4,419,267
Colorado .....	53,200,500	39,713,991	97,172,829	89,304,648	2,296.29	2,789,220
Wyoming .....	12,846,000	12,116,000	24,962,000	24,962,000	457.00	148,920
Western group .....	1,784,908,292	1,756,895,194	3,681,033,666	3,441,141,046	63,897.46	88,743,237
California .....	149,373,421	112,205,972	299,139,940	295,137,049	3,810.22	4,103,496
New Mexico .....	59,399,100	29,674,534	89,731,220	59,401,089	.....	.....
Arizona .....	19,995,060	10,000,000	30,295,000	29,144,003	.....	.....
Utah .....	20,913,860	19,151,000	40,428,363	39,972,687	798.96	518,603
Nevada .....	12,317,750	5,863,000	27,133,003	23,794,122	93.30	35,000
Oregon .....	44,929,000	19,482,000	65,608,191	67,263,362	550.00	500,000
Washington .....	730,000	155,000	885,000	885,000	21.80	22,500
Pacific group .....	307,658,131	196,583,506	553,280,717	515,597,312	5,274.28	5,179,599

## RECAPITULATION BY GROUPS OF STATES.

New England .....	\$198,544,058	\$144,346,982	\$360,317,081	\$337,953,802	6,202.89	20,006,301
Middle .....	1,012,157,191	899,914,618	2,012,535,974	1,596,937,643	15,974.23	54,986,944
Southern .....	404,792,911	457,360,083	888,303,873	793,126,042	15,589.63	18,987,166
Western .....	1,784,908,292	1,756,895,194	3,681,033,666	3,441,141,046	63,897.46	88,743,237
Pacific .....	307,658,131	196,583,506	553,280,717	515,597,312	5,274.28	5,179,599
United States .....	3,708,060,583	3,455,040,383	7,495,471,311	6,684,756,045	106,938.49	137,903,247
United States, 1882 .....	3,511,035,824	3,285,543,323	7,016,750,109	6,035,090,146	95,752.33	165,438,158

## STATEMENT III, PART III.

	Freight train service.	Passenger traffic.		Freight traffic.	
		Passengers carried.	Passenger movement.	Freight moved.	Freight movement.
	<i>Miles.</i>	<i>Number.</i>	<i>Miles.</i>	<i>Tons.</i>	<i>Ton-miles.</i>
Maine.....	1,624,938	2,180,030	67,811,295	2,061,247	159,983,667
New Hampshire.....	1,861,812	3,027,651	57,363,202	3,316,224	140,327,188
Vermont.....	2,457,526	1,569,815	54,716,348	2,906,505	232,248,155
Massachusetts.....	9,201,344	53,080,887	720,037,250	16,813,542	1,015,643,926
Rhode Island.....	188,364	1,834,799	32,368,735	567,532	16,796,827
Connecticut.....	2,982,050	10,684,374	235,422,827	5,005,163	242,114,216
New England.....	18,316,034	72,377,556	1,187,719,657	30,670,213	1,807,112,979
New York.....	33,976,977	43,734,962	1,082,162,920	50,372,817	6,040,404,413
New Jersey.....	9,474,400	24,416,770	448,801,982	19,270,393	1,140,070,889
Pennsylvania.....	48,731,259	49,970,774	817,994,006	105,507,916	7,859,109,440
Delaware.....	360,405	351,214	7,394,849	410,590	14,145,515
Maryland.....	12,693,747	7,880,347	169,126,717	11,175,208	996,143,765
West Virginia.....	706,263	381,832	14,285,730	1,190,812	50,180,132
Middle States.....	105,943,051	126,735,899	2,489,766,204	187,927,736	16,100,054,154
Virginia.....	7,825,370	2,805,653	109,058,878	5,939,499	734,475,929
North Carolina.....	1,300,637	676,530	30,461,165	1,098,332	90,139,885
South Carolina.....	1,963,600	1,083,697	47,668,353	1,404,624	102,677,245
Georgia.....	4,244,362	1,629,451	80,148,560	2,493,265	222,694,652
Florida.....	272,995	434,093	13,410,538	892,534	31,473,865
Alabama.....	3,021,713	1,278,564	60,389,373	3,168,193	343,100,073
Mississippi.....	347,387	270,726	11,350,000	495,421	23,350,000
Louisiana.....	8,801,805	731,970	46,523,422	897,956	99,833,552
Tennessee.....	4,077,809	2,068,353	101,135,608	4,088,788	397,552,073
Kentucky.....	4,409,666	3,108,829	113,745,188	5,551,977	501,542,926
Southern group.....	36,265,344	14,087,866	613,891,085	26,030,589	2,546,941,900
Ohio.....	36,652,265	21,096,833	756,043,369	43,065,926	5,969,378,057
Michigan.....	16,673,904	8,505,815	381,637,783	14,158,403	1,942,831,205
Indiana.....	19,728,040	10,557,112	393,212,404	18,506,607	2,625,042,677
Illinois.....	37,477,851	25,116,732	998,948,739	35,472,611	5,266,273,900
Wisconsin.....	15,297,375	5,573,268	270,831,637	7,119,525	1,286,409,094
Minnesota.....	7,802,942	3,562,265	210,060,695	6,097,782	1,022,695,010
Dakota.....					
Iowa.....	3,067,471	1,286,884	52,976,122	3,716,099	324,614,651
Nebraska.....	6,414,838	1,210,984	150,073,839	2,681,987	751,789,015
Kansas.....	7,789,527	1,930,713	150,018,247	4,020,298	758,785,800
Missouri.....	15,688,363	4,983,193	267,828,617	10,005,978	1,634,601,453
Arkansas.....	351,216	273,381	15,547,560	371,684	21,302,213
Texas.....	9,292,400	2,710,500	151,822,380	3,421,534	682,318,432
Colorado.....	4,152,031	786,739	62,623,743	2,013,584	244,102,931
Wyoming.....	396,077	20,275	2,457,705	91,650	18,453,952
Western group.....	180,984,300	87,614,694	3,834,082,895	150,751,668	22,548,598,390
California.....	6,550,798	11,268,723	347,572,788	3,725,342	814,767,770
Utah.....	1,026,228	162,619	17,423,496	451,052	62,061,181
Nevada.....	45,000	2,126	168,448	14,928	577,065
Oregon.....	955,000	402,550	50,380,500	715,188	181,322,159
Washington.....	22,500	14,608	304,606	166,723	3,487,847
Pacific group.....	8,599,526	11,870,626	415,849,833	5,073,233	1,062,216,022

## RECAPITULATION BY GROUPS OF STATES.

New England.....	18,316,034	72,377,556	1,187,719,657	30,670,213	1,807,112,979
Middle.....	105,943,051	126,735,899	2,489,766,204	187,927,736	16,100,054,154
Southern.....	36,265,344	14,087,866	613,891,085	26,030,589	2,546,941,900
Western.....	180,984,300	87,614,694	3,834,082,895	150,751,668	22,548,598,390
Pacific.....	8,599,526	11,870,626	415,849,833	5,073,233	1,062,216,022
United States.....	350,108,255	312,686,641	8,541,309,674	400,453,439	44,064,923,445
United States, 1882.....	305,118,035	289,030,783	7,483,059,934	360,490,875	39,302,209,249



## STATEMENT III, PART IV.

	Gross earnings.			Net earnings.	Total available revenue.	Payments from available revenue.	
	From passengers.	From freight.	From all sources.			Interest.	Dividend on stock.
Maine.....	\$1,856,058	\$2,775,717	\$4,865,751	\$1,376,530	\$1,699,972	\$1,032,637	\$649,371
New Hampshire.....	1,472,247	2,382,735	4,162,257	1,203,363	1,683,505	412,158	835,300
Vermont.....	1,572,852	2,774,269	4,523,391	1,041,855	1,500,030	581,904	269,671
Massachusetts.....	14,484,366	16,491,556	32,660,794	8,594,501	9,711,125	4,249,105	4,088,791
Rhode Island.....	816,594	574,424	1,490,219	485,658	555,499	139,880	286,072
Connecticut.....	5,330,330	5,438,083	11,453,351	2,400,626	3,869,200	602,660	2,442,945
New England.....	25,532,447	30,436,784	59,155,763	15,102,533	18,999,331	7,018,344	8,572,150
New York.....	21,624,323	55,370,810	81,693,652	26,656,117	37,059,879	16,816,655	12,127,227
New Jersey.....	9,332,059	14,369,146	27,380,835	8,878,933	14,141,961	8,557,481	3,586,826
Pennsylvania.....	19,386,704	85,612,314	112,187,743	48,309,034	62,512,802	24,496,723	18,969,766
Delaware.....	217,363	487,956	739,449	194,200	206,065	76,454	91,366
Maryland.....	3,296,375	10,649,211	14,135,643	6,223,703	8,291,164	3,570,080	1,653,375
West Virginia.....	302,073	610,119	921,688	308,365	337,385	31,359	16,400
Middle States.....	54,158,897	167,099,556	237,068,010	90,570,362	122,549,306	53,548,702	36,444,960
Virginia.....	3,167,581	9,789,435	13,984,440	5,119,519	5,818,611	3,840,344	848,090
North Carolina.....	916,570	2,227,077	3,425,571	873,483	1,023,836	480,607	409,771
South Carolina.....	1,336,196	3,515,677	5,215,335	1,500,520	1,605,462	1,198,099	96,481
Georgia.....	2,515,028	6,374,674	9,525,684	2,963,999	4,299,210	1,853,014	1,598,028
Florida.....	440,758	848,678	1,426,011	473,491	514,491	517,308	4,400
Alabama.....	1,656,437	5,298,648	7,368,005	2,228,033	2,264,141	1,580,187	110,000
Mississippi.....	382,183	784,939	1,213,216	465,587	465,587	310,818	.....
Louisiana.....	1,339,108	2,532,659	5,234,079	2,538,170	4,624,374	2,064,712	400,000
Tennessee.....	2,621,368	6,328,223	9,517,496	3,461,192	3,487,072	2,486,997	109,540
Kentucky.....	2,924,428	7,667,416	11,554,832	4,660,461	5,568,743	4,070,922	.....
Southern gr'p.....	17,299,657	45,367,266	68,460,269	23,284,455	29,171,527	18,403,008	3,576,310
Ohio.....	16,326,910	46,630,280	67,284,686	18,477,915	25,065,011	13,149,425	7,988,198
Michigan.....	8,828,799	19,655,990	30,112,680	8,547,124	9,451,688	5,101,788	2,600,868
Indiana.....	9,613,895	24,949,292	36,927,093	8,589,851	9,988,481	8,909,094	629,942
Illinois.....	23,646,353	67,161,416	98,071,983	41,816,539	47,236,409	15,021,336	16,126,955
Wisconsin.....	7,078,921	18,795,432	27,469,175	11,014,192	11,202,342	5,924,253	3,242,981
Minnesota.....	6,384,661	18,186,564	25,680,785	10,019,936	11,939,910	4,447,567	2,757,740
Dakota.....	.....	.....	.....	.....	257,280	257,280	.....
Iowa.....	1,394,981	4,582,008	6,317,430	1,994,630	5,143,191	2,088,942	1,438,280
Nebraska.....	4,699,538	14,414,203	21,197,632	10,754,661	13,115,719	5,124,122	4,260,788
Kansas.....	4,543,553	15,892,749	21,452,588	10,028,776	11,025,944	3,923,866	3,988,535
Missouri.....	7,749,997	24,924,747	34,523,272	15,154,313	17,364,972	9,892,213	2,786,926
Arkansas.....	665,225	765,857	1,666,046	563,279	563,279	274,956	.....
Texas.....	4,470,695	14,925,605	21,459,445	6,762,668	6,911,811	6,163,619	.....
Colorado.....	2,478,092	7,646,057	10,888,222	3,429,552	3,429,552	2,368,802	436,121
Wyoming.....	139,624	761,095	917,894	355,888	360,223	.....	.....
Western gr'p.....	98,021,254	278,091,695	403,968,931	147,509,324	173,055,812	82,707,263	46,267,334
California.....	9,438,881	16,915,339	28,451,301	9,284,029	14,090,299	6,688,495	3,724,199
New Mexico.....	.....	.....	.....	.....	270,002	250,800	.....
Arizona.....	.....	.....	.....	.....	624,305	588,120	.....
Utah.....	818,430	2,799,873	3,836,193	1,852,546	2,238,666	1,064,296	586,080
Nevada.....	14,935	81,873	109,352	18,132	19,132	45,000	.....
Oregon.....	1,541,412	3,626,443	5,946,363	2,896,930	3,854,930	1,100,230	2,308,000
Washington.....	11,343	91,002	116,598	68,277	68,277	.....	.....
Pacific group.....	11,825,001	23,514,530	38,459,807	14,120,914	21,165,611	9,736,941	6,618,279

## RECAPITULATION BY GROUPS OF STATES.

New England.....	25,532,447	30,436,784	59,155,763	15,102,533	18,999,331	7,018,344	8,572,150
Middle.....	54,158,897	167,099,556	237,068,010	90,570,362	122,549,306	53,548,702	36,444,960
Southern.....	17,299,657	45,367,266	68,460,269	24,284,455	29,171,527	18,403,008	3,576,310
Western.....	98,021,254	278,091,695	403,968,931	147,509,324	173,055,812	82,707,263	46,267,334
Pacific.....	11,825,001	23,514,530	38,459,807	14,120,914	21,165,611	9,736,941	6,618,279
United States.....	206,837,256	544,509,831	807,112,780	291,587,588	359,942,327	171,414,258	101,679,038
U. S., 1882.....	188,137,462	485,778,331	727,987,310	264,818,769	315,663,925	143,752,517	97,159,519

The "cost of road and equipment" in the preceding statement embraces "water" as well as capital. It is to be borne in mind, however, that the excess of stock bonds and floating debt over actual cost is by no means all "water," this term, as I understand it, being used to designate issues representing no proper equivalent, and made for the purpose of imposing upon the public at some price that which cost the issuers nothing, the parties to be benefited being those in control at the time of the companies making such issues. In a great many instances, in the earlier stages of construction, bonds had to be issued, often in very large amounts, and before the results could be seen. In such cases the purchasers very properly demanded, by way of insurance, a corresponding premium for the risk they incurred. The laws of all the States provide that usury shall not be pleaded by railroad companies in defense of a suit against them by the holder in good faith, of the bonds, no matter the price at which they were sold. The discount at which bonds—\$3,455,040,383—of all the railroads were sold will reach a large sum, perhaps 15 per cent., including expenses, commissions and the like, on the whole amount. Deducting such discount, commissions, and expenses, amounting to, say, \$500,000,000 on the bonds sold, there remains, say, \$2,000,000,000 represented chiefly by stock issued as "water."

#### METHOD OF ISSUES OF "WATER."

The methods of issue of this "water" were various. It is probable that in all or in nearly all the States the issue of stock by the railroad companies, unless a full equivalent is received therefor, is forbidden by law. The reasons for such provisions are obvious. Railroads have virtually the power of taxing the people of the States, or the United States, which grant their charters or provide by general laws for their organization. The object of such provisions is to limit this power of taxation to a fair return on the capital actually invested. The common way in which such a wholesome provision of law is avoided is by contracts for construction in which the promoters of the railroad to be built are really the contractors, receiving a gross amount of stock and bonds, twice or thrice greater, perhaps, than the *cash* cost of the roads. An apt illustration of this mode of issuing "water" has been furnished by the operations of the railroad companies chartered by the Congress of the United States. The act chartering the several companies provided that their share capital should be subscribed for, *bona fide*, and that the full nominal value of the same should be paid in in cash. In the case of the Union Pacific it was shown by an examination ordered by the House of Representatives of the United States that the stock of this company was issued chiefly to the directors of the road, under a contract for its construction, without consideration, they being virtually the contractors for its construction as well as directors of the road. The committee further reported to the House that the issue, in violation of law, of the share capital of that company justified the abrogation of its charter. No action of the kind was taken for the reason that the dissolution of the company would work great injury to the innocent holders of its stock and bonds. The charter of the Northern Pacific provided for a subscription to the share capital of the company by the payment of a full cash equivalent therefor. The whole nominal amount of \$100,000,000 was divided among the promoters of this enterprise, little or nothing being paid thereon, before any considerable expenditure was made on the road. Of this stock some \$51,000,000 was subsequently surrendered to the company in order that it might be exchanged upon its reorgani-

zation for its outstanding bonds and the overdue interest on the same, and for other purposes. The balance of the stock, \$49,000,000, upon which nothing was paid, still remains as the emolument of the promoters of the concern. The Central Pacific, originally organized under the laws of the State of California, was made a corporation of the United States by its acceptance, as provided, of the act incorporating the Union Pacific. The Central was constructed by its promoters, the stock issued, or the greater part of the same, coming to them as a gratuity. The above are some instances of the manner in which the share capitals issued came as "water" into the hands of the promoters of these enterprises. The "water" in Erie was the difference between the par value of some \$55,000,000 of bonds (afterwards converted into stock) and the price, say \$350 each, at which they were sold, the water here equaling about \$36,000,000. The "water" in the New York Central, some \$48,000,000, was introduced into it under the authority of a special act of the legislature of the State of New York, the general law of the State prohibiting the issue of any stock by any company without the payment in cash of the full equivalent therefor. The share capital, \$40,000,000, of the New York, West Shore and Buffalo was intended to be a part of the profits of the promoters of the road to come to them through a contract for construction. The greater part of the share capital, \$50,000,000, of the New York, Chicago and Saint Louis Railroad was a profit to its promoters, the major part of which they got rid of by throwing it upon the Lake Shore and Michigan Southern Railroad. Another mode or pretext for issuing "water" was that adopted by the East Tennessee, Virginia and Georgia Railroad Company, which, without the payment of any considerable sum into its treasury, increased its share capital from \$1,900,000 to \$44,000,000, the occasion of the increase being the purchase of, or consolidation with, some other lines. This list of "waterings," with the various methods pursued, might be extended so as to account for nearly the whole amount of the \$2,000,000,000 issued in excess of cost. Nothing, however, would be gained by extending the list, as all stock illegally issued, after it passes into innocent hands, becomes so far as the companies are concerned valid stock. No one would think of proceeding against the few directors who still hold the stock issued to them without consideration. The mischief, whatever it has been, is done, and the thing is never likely to be repeated in the future on the scale of the past.

The introduction of "water" into the share capital of railroads from the enormous amount issued is the chief cause of the condition of things of which so much complaint has been made, and which was the occasion for the appointment of your Committee. After "water" is issued the next thing is to make it valuable by the imposition of exorbitant charges upon the traffic passing over the roads issuing it. There have never been wanting earnest protests against this great wrong, all to very little or no effect. So long ago as 1869 Mr. Charles Francis Adams, jr., now president of that company, in an essay upon the Union Pacific Railroad, said:

"The line from Chicago to New York represents now but \$60,000 to the mile as the result of many years of inflation, while the line between Omaha and San Francisco begins life with a cost of \$115,000 per mile. It would be safe to say that this road costs considerably less than one-half this sum. The difference is the price paid for every vicious element of railroad construction and management. Costly construction, entailing future taxation on trade; tens of millions of fictitious capital; a road built on the sale of its bonds, and with the aid of subsidies, every element of real outlay recklessly exaggerated and the whole of it some future day to make itself felt as a burden on the trade which it is to create."

The "water," \$50,765,000, being injected into Union Pacific, including Kansas Pacific, the next step was to give it value by a system of exorbitant charges, which it was enabled for a long time to maintain from the monopoly it enjoyed.

"During a long period of the life of the Union Pacific," said the Government directors of this company in their report for 1884, "it was a perfect and absolute monopoly. The profits of its operations were princely. In view of the present unsettled commercial and financial conditions, and particularly as they concern Union Pacific, the past history of the company appears now like a travesty upon corporation management. While it was earning the money to acquire and pay for over \$40,000,000 of securities, and to declare more than \$23,000,000 in dividends upon stock which the now president of the road declared represented little but the energy of the projectors of the road, and all this from transportation, time and opportunity when a fund for the liquidation of this indebtedness might have been easily established was either carelessly or purposely permitted to pass by. \* \* \*

"Up to within a comparatively short time," continued the same directors in their report for 1884, "the road has been a complete and absolute monopoly so far as the traffic department was concerned. This department for years, and until very lately, has been conducted upon the theory that the Union Pacific would be always able to maintain its monopoly, and upon the principle that corporate extortion is a performance in which a railway management may indefinitely indulge with impunity. It was a great and unfortunate error for the Union Pacific. In the mean time a public sentiment was being created that embraced the first and earliest opportunity to divert patronage to any competitor. Now that competitors have entered the field the fruits of this disastrous policy appear on every hand; the road, in addition to its own burdens, is compelled to bear the load of aggravated ill-will, not only along its line but at commercial centers. It is true that the public at large has probably gradually become imbued with the settled conviction that the railway corporation is inimical to it. This has come almost exclusively, and as a natural result, from the system and methods to which we refer, so that now when the Union Pacific is in need of every resource it can command its management finds itself hampered with this feeling of animosity to it."

The remarks of Mr. Charles Francis Adams, jr., and of the Government directors of the Union Pacific Railroad describe very adequately the methods of "watering" the stocks of railroads and the evils resulting therefrom. The "water" being injected a system of extortionate charges is the necessary result. Then come the complaints of an outraged public, and appeals for relief both to the State and National Governments. The relief sought never was and never will be afforded. Wherever the opportunity offers "water" has and will be poured into railroads with entire impunity. The laws prohibiting its injection amount to nothing. The traffic passing over them will always be charged "all that it will bear." The remedy comes through competition, and only through competition, and nothing stimulates competition so much as "water." When a venture has proved successful it will speedily have plenty of imitators, and to such a degree that in the struggle for business that follows rates are so reduced that not only nothing is left for the "water," but often little or nothing for the capital actually invested. The people once so oppressed find that their turn has at last come in the reduction of charges to one-half or to one-quarter their former rates. Capital now pays its penalty of "watering" in getting no return, or no adequate return, upon its investments. But as Government could not or would not interpose to prevent the evil "water," so it cannot or will not interpose to prevent excessive competition, the inevitable result of "water." The relief of capital must come through the operation of natural laws; through the progress of the country; through a gradual increase of traffic, and through greater economy in the operation of our public works. The relief will come sooner perhaps than the owners of railway property anticipate, and partly in their reduced expectations. The holders of New York Central shares will experience in the future a much keener satisfaction in receiving dividends at the rate of 5 or 6 per cent.

than they did in receiving dividends at the rate of 8 or 10 per cent. Five per cent. is more than money is likely to be worth in the future. They will be happy in finding that something is left to them, as something is likely to be left, so soon as the present railroad complications are cleared away, and business, as it must, resumes its normal tone. But the days of high dividends are over, and every railroad company except, perhaps, a few exceptionally situated, should at once anticipate a condition of things which must certainly come, and reduce its dividends to the average value of money in other investments; to a rate, which as a rule, they cannot exceed. By so doing they will go a great way to propitiate the favor of the public and save themselves a great deal of needless trouble and annoyance, and, what is perhaps a matter of still greater importance, they will put an end to the wild speculation in railway shares by putting an end, as far as possible, to all uncertainty as to the result, uncertainty being the element upon which the spirit of speculation of all kinds feeds.

#### SOME OF THE RESULTS OF "WATERING."

Such is the condition of things which now confronts your committee. The agitation which finally led to its creation was begun many years ago when the people appeared to be, and were, at a great disadvantage. The Union Pacific and the Central Pacific together divided, or carried to the credit of profit and loss, over \$100,000,000 over and above a fair return upon the capital invested in them. The "water" in New York Central equaled \$48,000,000, or thereabouts. Upon this sum dividends at the rate of 8 per cent. were paid for fifteen years, the water and dividends on the same equaling over \$100,000,000.

The money, or a part of it at least, realized from "water" in Union and Central Pacific should have gone to the payment of the advances made by Government in aid of the construction of the two roads, which, with the unpaid interest on the same, amounts to about \$100,000,000, as security for which Government has only that of a second mortgage. These two roads have now passed into the category of non-dividend paying lines. The New York Central is, for the present at least, pretty much in the same condition, the \$41,000,000 of actually paid-up share capital in this concern getting nothing or next to nothing. On the other hand, the people, from the competition resulting from "water," are having their merchandise carried often at cost, or with very little profit to the carriers. While Congress has been deliberating the condition of things has wholly changed. It is capital, not the people, that is now the sufferer and suppliant. What is to be done for its relief? Of course, nothing. Congress, which would not, or rather could not, interpose on behalf of the people when they were under the load, cannot and will not interpose now that capital is under the load. No one would think of interposing for the relief of capital.

#### LAWS CONTROLLING TRANSPORTATION.

The whole subject of transportation, so far as charges are concerned, is one beyond the power of Congress—or, rather, beyond any power Congress is likely to exert. It is to be regulated by its own laws. Excess of profit will provoke excess of competition, until the provision for transportation exceeds twice or thrice the stuff to be carried. For the future there is no danger that the rates of transportation will not be low enough. For a long time to come they will be too low; that is, they will hardly produce a fair return upon the capital actually invested.

## NATIONAL RAILROAD BUREAU.

The only measure by Congress that I would think advisable would be the creation of a bureau at Washington, to which all railroads should make full returns of their financial condition and of the results of their operations. Every contract for the transportation of the mails should contain an agreement on the part of the railroads that such returns should be made. The proper information supplied, the newspaper press, acting upon public opinion, will apply all the corrective that can be applied. Our Governments, State and National, have very little genius or faculty for the supervision of railroads. They can provide that reports be made which shall give an adequate idea of the condition of railroad companies and of the manner in which they are conducted; that done, public opinion must do the rest.

## STATE BOARDS OF COMMISSIONERS.

In the matter of acquiring and distributing information State boards of railroad commissioners do a great deal of excellent work; but their powers are to a great extent, as they should be, advisory. They are not, nor should they be, legal tribunals. Nearly all the States have or are instituting such boards. Good work done by one becomes the property of all. When there are, as there soon will be, as many of such boards as there are States, all working to the same end, the best methods of one will soon become the common property of all; and when so many boards are constantly at work rapid progress in railway management is to be the certain result.

## GOVERNMENTAL INTERVENTION.

Senator PLATT. The West Shore does not seem to have any friends, and so I will use that for an illustration. I will suppose that the West Shore was a needless road; that it was built by the issue of bonds which were sold at less than par, worked off largely to parties who had a few Government bonds laid away to live upon, and who were made to think that the West Shore bonds were a better investment, and then by giving a construction company large profits and throwing in stock, and resorting to all the methods by which we understand railroads are built at this time. Now that the road has come into life and it is found it cannot pay, what ought the Government to do? Ought the Government to let that go to the wall, or ought it to so legislate that it shall either upon its entire capitalization or upon some lesser capitalization be enabled to live and pay dividends?

Mr. POOR. The Government ought not to interpose in the slightest degree; it cannot interpose in such matters.

The CHAIRMAN. Do you mean as to that specific road?

Mr. POOR. I mean as to all roads; but I will take that road as an illustration. On one bank of the Hudson was the Central paying 8 per cent. on, say, \$48,000,000 of water. The people living upon the other bank, contributing to dividends on the water, said "we want a road of our own." The logic was irresistible. What if they did pour water into it, they had an adequate precedent therefor in the Central. It was started in the heyday of railroad earnings. It was assumed that too much provision could not be made for the transportation of freight between Lake Erie and New York. The shrewdest of the New York capitalists accepted unreservedly such a conclusion, and put their money

into the new scheme and lost. If this committee had been a tribunal to determine whether the right to build the West Shore should be granted they would have decided affirmatively. Certainly the West Shore people had a right to a road of their own. As to "water," what was right and proper for the Central was right and proper for them. If there had been no "water" in the New York Central there would have been no West Shore Railroad. If there had been no "water" in Lake Shore and Michigan Southern there would have been no New York, Chicago and Saint Louis Railroad. The two new lines are now the scandal of the nation. But the greater scandal was that the "water" poured into the lines they parallel, and which led to the construction of the new ones. The greater scandal at the time attracted no attention and received no censure. It receives plenty of both now that the companies enacting it have come to be the chief sufferers. But the mischief done cannot be undone, nor can similar mischief in the future be prevented by Congressional legislation. There are plenty of laws, State and national, covering the whole subject of your inquiries, but no competent authority to see to their enforcement. The remedy must come in the refusal of the people to buy "water" at any price. The lesson has been learned at a tremendous cost, but it could be learned in no other manner.

Senator PLATT. Do you think the Government ought to stand by idly and see this railroad building go on in this country in the future as in the past?

Mr. POOR. There is nothing now going on in railroad construction, nor will there be for a great many years to come.

Senator PLATT. Are not railroads being built in this country to-day just as in the past?

Mr. POOR. I am not aware of a single railroad being built in this country to-day in excess of its wants, other than the South Pennsylvania, which is simply a second West Shore or Nickel Plate. All new roads now being built are by the old companies as feeders into new territories.

Senator PLATT. But we must anticipate a time when business will be flourishing again, and when people will begin to build railroads. Do you think the plan upon which railroads have been built in the past ought to be allowed in the future?

Mr. POOR. You cannot regulate such matters by legislation. Occasionally a great mania seizes our people. It did in the period of five years ending in 1873, in which we built 27,000 miles of railroad. Legislators were as wild as the people. If they had been appealed to they would have fed the flame instead of checking it. The consequence was that the whole country found itself in the end only a little short of bankruptcy. We had only fairly recovered from the disaster that had been suffered when another mania set in. In the period of five years ending with 1883 our people built 40,000 miles of railroad, at a cost of \$1,200,000,000. The new lines built in the latter period were largely in the Eastern and the Central States—2,000 miles in New York; 2,000 in Ohio, and about the same number of miles in Pennsylvania and Illinois each. Unfortunately the new lines paralleled to a great extent old lines. The new lines were built chiefly on speculation. While the mania lasted there was no authority to which to appeal, legislators and those administering affairs being as much carried away as the people themselves.

Senator PLATT. Leaving out of the question the difficulties that arise by reason of our peculiar system of Government and the division of powers between the States and the General Government, a railroad is

the creature of the State or of the General Government as the case may be. A person has not a right to build a railroad without permission from the State or from the General Government. Then, does not the Government become responsible, to a certain extent, when it grants that permission, that the railroad shall be honestly built, and in so far as its charges are a tax upon the people, that the tax shall not become onerous or exorbitant, and has it no duty to perform?

Mr. POOR. In regard to that matter the railroad is a creature of the State for a certain purpose in a certain way. If a man in a State owns a tract of land and wants to build a railroad to an iron foundry or a coal mine twenty, thirty, or forty miles off, he can build as many roads as he chooses over his own property. It should be considered, however, that the Government has not acted on your theory in any degree. Every State has given the right to a certain number of men to build a railroad where they please and as they please.

The CHAIRMAN. That is true in a general sense, but still when a body of men come to a legislature and ask for a charter there has generally been some degree of investigation, and changes in the charter have been frequently asked for.

Mr. POOR. In old times, when charters were granted, there might be certain conditions annexed; but since the general railroad law of New York was passed, in 1850, a certain number of men may build a railroad when they choose, and where they choose, and as they choose, in that State. Almost every State has copied this railroad law, so that for the past ten years there has hardly been a railroad built in the United States under a special charter. The whole territory is thrown open as a common theater to all that will.

A company building a cotton mill derives its right to exist from some legislature. It may exercise the right of eminent domain by taking lands for flowage. But the right so conferred gives no authority to the legislature which chartered it to interfere, except in a general way, with its affairs. So with the railroad, the "king's highway" in the old countries and the people's highway in this. The lands taken are paid for, so that no injury is suffered by any party. Cities and towns, when they construct streets, exercise the right of eminent domain. The exercise of such right does not place them in any peculiar relations to the State. The claim that our railroads stand in the relation to our States that the "king's highway" stands, or rather stood, to the king, is all stuff dug out of old law books by those who do not understand what they are talking about. It would be well, to have a perfect state of society, to have such roads built, and only such, as are needed; to have them so well managed that capital is always sure of its proper reward and the public its proper consideration. To secure such a result there should always be a perfectly competent, upright and efficient supervising power. There can be no doubt of the integrity, patriotism, and good intentions of Congress. But integrity, patriotism, and good intentions all came to nothing so far as the railroads chartered by it were concerned. It is not what you would have but what you can get. It would be well if no poor cloth were made. But nothing that Congress can do would help the matter. To secure the best another and more potent principle must be invoked, that of self-interest. So with railroads. If an abuse be suffered it will in the end be removed, not by Government, but through the action of those who will take advantage of it for their own benefit. What I mean to say is, that the Government of the United States is not capable of managing railroads. It is not capable of holding them to a compliance with the plainest and most important provisions of their char-



ters, such as forbid the issue of water, the source of almost all our troubles. If the Government of the United States has shown itself incapable of holding the three companies of its own creation to the most important of the obligations imposed upon them, how much more incapable must it be of looking after five hundred companies chartered by thirty-eight States and eight Territories. We are, fortunately, better off without its interposition than with it. The whole object of a railroad is to cheapen transportation. When the most perfect result in this matter is reached—and it is reached when it costs less to bring a barrel from Chicago to the great Eastern cities than it does to send the same barrel from the warehouse in which it is stored to the consumer living only a mile or two distant—the attention of the Government should be turned to the greater burden of distribution within the same city; or rather it is time for Congress to remit the whole subject of transportation to those to whom it properly belongs—to the public carriers and to the several States. There can be no doubt that had Government taken up this matter of transportation twenty years ago, and undertaken the task of making the railroad companies do the right thing in all cases, the charge of moving a barrel of flour from Chicago to New York would have been twice greater than it now is. In other words, any action by the Government in the premises like that now called for is wholly superfluous. At one time Government might well have interposed in the interest of the people in keeping water out of railroads. By the same act it would have interposed in the interest of capital. The golden moment lost, masterly inaction is now the true policy.

Senator PLATT. You think, then, that when the conditions are favorable for that sort of thing—a set of men getting together and getting up a scheme by which they are to build a road without money and get rich out of it, and then leave it for others to operate or purchase or do what they please with—it must go on, and the Government cannot interfere with it?

Mr. POOR. When a state of mind exists similar to that which existed during the five years terminating in 1883, Government and Government tribunals will be just as much infected by the general mania as the public at large, so that with all the laws you can pass you will not gain anything. Government might, with the same propriety, say to the farmers, "You are going to plant too much wheat out West this year; you will lose everything; you must have a tribunal to say how many acres shall go into seed." Government cannot make the people wise or otherwise, nor can it enforce any rules of the kind. Mr. Fink says you must have a law that no railroad shall be built unless the capital is paid in. How was it when Mr. Vanderbilt wanted to water the share capital of the Central to the extent of some \$48,000,000. He asked and obtained legislative permission. There are plenty of laws upon every subject-matter of complaint. To enact new ones would be to repeat old ones. If the managers of a railroad want to pour water into it they will find plenty of ways of doing so. Of all this the roads chartered by Government, particularly the Union Pacific, afford a striking example.

The CHAIRMAN. How did that company avoid paying?

Mr. POOR. By means of the *Crédit Mobilier*, which took a contract payable in stocks and bonds to build the road for \$115,000 to the mile, when it did not cost over \$50,000 to the mile, the difference between the two sums being the nominal profit.

Senator HARRIS. Do you not recognize the fact that the States have no power to regulate commerce which goes beyond their limits or comes from a point beyond their limits?

Mr. POOR. I recognize that.

Senator HARRIS. That being true, the practical question is, as it seems to me, does inter-State commerce require any regulation, and, if so, what?

Mr. POOR. The object of the clause in the Constitution providing that Congress may regulate commerce between the States was to prevent any State from placing any restrictions upon such trade in the shape of transit duty or tolls to inure to the benefit of such State. No such case has ever arisen, at least so far as railroads are concerned. It will be time for Congress to act when any State actually imposes burdens of any kind upon the commerce of other States passing through it. The question now is, how are rates to be raised so that capital may have its proper return, not the removal of burdens upon trade and commerce? Rates are too low. I cannot see how, with the competition that must exist, they can ever be excessive in the future.

To summarize my statement or meaning, I do not, from an intimate acquaintanceship with railroads for a period of thirty-six years, see how any other experience or result in reference to these roads could have happened than such as has happened. A railroad built into new territory reduced the cost of transportation from twenty to one, and perhaps in still greater ratio. It immediately became the general carrier, charging whatever rates it chose; its net revenue often equalled 6 per cent. on a sum twice or thrice greater than its cost. With such a profit its share capital or funded debt was correspondingly increased in order to make it appear that the road cost a sum much larger than its cost, or to enable its promoters to realize a large sum over cost by a sale of fictitious securities.

At the same time it must be remembered that with the railroad the people paid only 1 cent, or in that ratio, where they previously paid 20 for the transportation of their products. Their gain, with any rates of charges, was always vastly greater than that of capital. Although greatly the gainers they still had the right to demand that capital should have only a proper return on its investment and for the risk taken. In the earlier charters profits were usually restricted to 10 per cent. on the capital actually invested, not counting bonds. The charters as a rule provided that no share capital should be issued except upon the payment in cash, in the treasury of the companies, of a sum equal to its full nominal value. General railroad laws, when they came to supersede special acts of incorporation, always contained such provisions. But such provisions could be always avoided in manner described.

So far as rates were concerned, the promoters of railroads, or the companies, charged, to use the common phrase, "all that the business would bear." Excessive rates caused no small amount of complaint and remonstrance—all to no effect. Legislatures could not or would not interpose. It is needless now to inquire why not. Why did not Congress interpose to abate the excessive charges of the Union Pacific—excessive in order to enable that company to pay dividends at a high rate on its bogus capital? The States were as deaf as Congress to the complaints of the oppressive conduct of the companies chartered by them. I merely state facts palpable to all. Relief could come only in the way it has come—through excessive competition, in consequence of which the investments, for a time excessively remunerative, have ceased to be so.

Through excessive competition capital no longer gets what it is entitled to. But Government cannot listen to its complaints. Capital in a country like our own can never long oppress. If it could, we should have had fewer railroads and a larger return upon capital invested in them.

But capital is always ready to go into any enterprise that promises a large return by the sale of fictitious securities, although it may destroy the value of that invested in lines with which the new road is to compete. All that is looked to in such cases is the immediate result. To-day the greatest capitalists in the United States—those who have suffered most from “water”—are “*nickel plating*” the Pennsylvania Railroad, or are attempting to nickel plate it, in the expectation of getting, say, \$3 in the form of securities for every dollar they propose to put into their new enterprise. They propose to treat others to the same dose that has proved so fatal to them.

Capitalists, while they always will take all they can get, are held together only as a rope of sand. They will never combine for mutual protection. Railroad companies may enter *pools* iron-clad, so far as words are concerned, but no company will be long content to see a thousand cars standing idle on its side tracks, when by using them enough could at least be earned to keep them in repair. They will promise to pull together until they can see, or fancy they see, it for their interest to pull apart. In the latter case words amount to nothing. In a country like our own, where there are no checks or limitations, capital is the last thing to be feared in the long run, as avarice or extortion is certain to create its proper antidote, competition; and the more so for the reason that a considerable extent of railway is certain to be built on speculation, entirely irrespective of any need for it, the purpose being to put large amounts of fictitious capital upon the market. In this way capital is always intent upon gain, no matter how made. Capital, instead of combining, is always working against capital—to weaken its value in all investments.

The experience through which railroads have gone has been an inevitable one—the result was equally inevitable. Although creatures of the States, or of the United States, they have virtually been almost entirely independent of their creators. It is well that they have been, if low rates of transportation be their end. Capital is now the sufferer, but by and bye capital in railroads will come in for a better show, the present stagnation in manufacturing and trade will give place to a normal condition of things. In time the earnings of the trunk lines, now suffering so severely, must show an increase. No new competing lines are to be built if the South Pennsylvania be excepted. The proposed construction of this new line is the great cause of the present disturbed condition of things.

It may be again repeated that capital, not commerce or the people, is now the sufferer. Rates are now too low. The railroad companies are discharging their duties to the public efficiently and satisfactorily. They must so discharge them as the condition of retaining the traffic they have. If Congress does not interfere in behalf of capital it is difficult to see what, in the premises, there is for it to do.

I annex hereto certain statements showing the movement of tonnage for a long series of years on some of the great trunk lines, and the charges on the same, for the purpose of showing the regular decrease in the rates, both of charge and profit, in the face of an enormous increase of tonnage. The result shown has been accomplished without the slightest interposition of governments, State or national. If the results aimed at in the appointment of your committee have been fully achieved, what necessity is there for further action? The tendency of rates is still downward. There is no longer any pretense that the railroad companies are making too much money, or that the returns from them in the future are likely to be any greater than the average income to be derived from investments in other industrial pursuits.

Statement showing the length of its lines, stock and debts, earnings from freight, earnings from passengers, gross earnings, net earnings, tons of freight moved, freight expenses, tons moved 1 mile, earnings per ton per mile, expenses per ton per mile, and net earnings per ton per mile of all freight moved on the New York Central and Hudson River Railroad from 1854 to 1884, inclusive.

## STATEMENT IV.

Years.	Miles of railroad. (all lines opera- ting.)	Stocks and debts of New York Central & Hud- son River rail- road, not includ- ing leases.	Earnings from freight.	Earnings from pas- sengers.	Gross earnings.	Net earnings.	Tons of freight moved.	Freight expenses.	Tons moved 1 mile.	Earnings per ton per mile.	Expenses per ton per mile.	Net earnings per ton per mile.
1854.....	804	\$46,778,863	\$2,912,866	\$4,388,820	\$7,672,320	\$3,285,461	\$549,805	\$1,300,179	\$99,309,600	2.954	1.309	1.645
1855.....	804	50,130,609	3,755,820	4,456,199	8,325,217	3,775,620	670,073	1,539,912	114,827,792	3.270	1.929	1.929
1856.....	804	51,501,024	5,052,059	4,308,853	9,613,068	4,276,618	932,844	2,556,387	165,803,708	3.006	1.542	1.504
1857.....	804	51,644,637	5,275,876	4,279,956	9,866,667	4,199,204	1,075,589	2,811,203	165,515,934	3.187	1.698	1.489
1858.....	804	51,185,502	4,244,639	3,543,512	8,164,884	3,535,759	1,025,604	2,214,001	161,108,043	2.635	1.374	1.261
1859.....	804	51,218,705	4,049,630	3,646,032	8,043,484	3,615,514	1,093,284	2,309,278	167,291,130	2.182	1.281	0.881
1860.....	804	51,502,601	4,943,638	3,714,904	9,004,388	3,456,520	1,368,635	3,215,161	233,418,931	2.065	1.343	0.722
1861.....	804	51,825,701	5,557,019	3,853,589	9,298,058	3,227,524	1,587,400	3,708,335	280,127,705	1.984	1.345	0.639
1862.....	804	51,770,804	9,370,304	3,604,700	11,994,357	3,018,930	1,905,173	4,849,909	337,941,135	2.227	1.355	0.872
1863.....	804	51,850,331	9,449,654	4,482,817	14,479,533	5,088,474	2,106,572	5,857,432	337,387,066	2.439	1.352	0.927
1864.....	804	51,553,079	10,685,672	5,845,116	17,130,490	5,094,039	2,158,972	7,569,345	386,801,761	2.763	1.065	0.798
1865.....	804	53,544,533	11,090,058	6,621,406	18,427,904	6,689,382	1,767,059	8,404,911	318,732,070	3.451	2.538	0.913
1866.....	842	56,987,235	12,017,532	6,498,193	19,442,312	4,350,421	2,090,594	8,404,911	388,620,986	3.092	2.163	0.929
1867.....	842	56,957,320	11,993,008	6,057,824	19,246,614	4,320,405	2,249,363	8,404,911	455,417,629	2.754	1.948	0.806
1868.....	842	60,246,564	12,479,850	6,064,266	19,904,915	4,370,068	2,562,862	8,204,263	455,046,715	2.742	1.803	0.939
1869.....	842	63,559,416	14,066,886	6,498,408	22,071,074	7,904,512	3,190,840	8,204,263	589,362,849	2.387	1.397	0.990
1870.....	842	103,110,137	14,327,418	6,738,592	22,363,310	8,295,240	4,192,000	8,867,780	799,087,777	1.853	1.163	0.710
1871.....	845	104,660,049	14,647,680	6,224,740	21,972,105	8,260,817	4,532,056	9,005,812	868,327,865	1.649	1.014	0.635
1872.....	857	105,924,320	16,259,650	6,682,007	25,580,678	9,134,239	4,903,985	11,581,016	1,020,908,885	1.592	1.129	0.463
1873.....	858	117,153,893	20,848,725	6,909,556	29,907,123	11,467,865	5,922,724	12,795,542	1,246,650,063	1.573	1.026	0.547
1874.....	1,000	127,013,043	20,848,725	7,497,556	29,497,085	11,108,798	6,114,678	13,692,877	1,391,580,707	1.462	0.984	0.478
1875.....	1,000	128,431,903	17,593,265	6,762,967	25,791,486	9,328,307	6,001,954	12,699,005	1,404,093,029	1.275	0.901	0.374
1876.....	1,000	129,273,033	16,424,317	5,576,816	24,386,085	9,607,814	6,803,680	11,900,539	1,674,447,055	1.051	0.711	0.340
1877.....	1,000	129,229,533	19,424,830	6,022,956	26,495,017	9,442,923	6,351,356	11,328,538	1,619,948,685	1.014	0.699	0.315
1878.....	1,000	129,161,808	18,270,240	5,933,102	25,747,558	9,694,485	9,015,753	12,302,533	2,042,755,132	0.930	0.536	0.395
1879.....	1,000	130,901,833	22,199,066	6,611,160	30,818,946	12,469,032	10,533,098	12,665,127	2,295,827,387	0.796	0.551	0.245
1880.....	998	132,901,333	20,736,750	6,958,038	29,324,532	12,469,032	11,501,379	13,670,884	2,505,139,145	0.879	0.541	0.337
1881.....	998	137,901,833	17,672,252	7,810,519	27,249,797	9,857,746	11,501,379	14,913,379	2,606,814,098	0.793	0.563	0.230
1882.....	998	139,425,588	20,142,252	8,526,543	27,808,991	7,853,823	11,330,393	14,913,379	2,894,799,810	0.738	0.601	0.137
1883.....	998	140,425,588	20,142,252	8,526,543	27,808,991	7,853,823	11,330,393	14,913,379	2,894,799,810	0.738	0.601	0.137
1884.....	993	145,025,593	10,434,989	7,538,213	25,676,421	7,897,108	10,212,418	12,325,562	1,970,087,115	0.880	0.620	0.260

Statement showing the classification of freight transported over the New York Central and Hudson River Railroad from 1854 to 1884, inclusive.

## STATEMENT V.

Years.	Products of forest.	Products of animals.	Vegetable food.	Other agricultural products.	Manufactures.	Merchandise.	Other articles.	Total tonnage.
1854.....	45,530	115,417	156,204	10,885	52,244	94,643	74,832	549,805
1855.....	37,971	131,224	244,605	9,372	60,140	105,312	81,020	670,073
1856.....	32,290	211,212	309,210	29,402	109,550	151,420	89,760	932,844
1857.....	34,944	239,456	297,709	25,355	109,981	218,494	89,590	1,015,589
1858.....	27,811	231,862	318,781	27,776	72,925	166,781	79,668	925,604
1859.....	308,909	272,517	43,369	43,369	100,320	262,226	92,702	1,093,284
1860.....	50,398	347,586	380,261	54,953	143,362	270,259	119,216	1,366,035
1861.....	46,343	402,757	496,384	68,185	135,204	264,070	126,457	1,537,400
1862.....	46,563	597,915	531,172	78,456	161,023	336,254	153,810	1,903,173
1863.....	66,588	703,633	438,704	151,649	194,679	417,111	140,147	2,100,571
1864.....	99,626	620,901	502,732	125,506	226,432	395,148	188,547	2,158,372
1865.....	65,098	523,638	390,490	78,717	174,360	346,155	198,659	1,767,059
1866.....	89,484	498,718	516,071	77,198	212,368	434,801	270,864	2,090,504
1867.....	109,084	511,038	591,342	87,710	219,674	453,096	276,829	2,240,363
1868.....	113,478	535,032	702,504	95,121	262,549	386,855	467,328	2,562,862
1869.....	130,509	592,051	943,135	99,612	337,746	493,794	588,938	3,190,840
1870.....	224,169	622,744	1,297,481	86,178	381,052	723,643	886,733	4,122,000
1871.....	274,685	708,904	1,459,919	117,027	380,603	636,245	965,073	4,532,056
1872.....	317,727	785,879	1,158,894	219,002	489,730	474,272	918,411	4,393,965
1873.....	425,115	962,767	1,452,982	172,506	493,635	567,495	1,449,944	5,522,724
1874.....	458,527	973,633	1,678,476	213,815	620,632	598,080	1,619,495	6,114,678
1875.....	383,708	832,885	1,660,070	242,750	673,274	546,047	1,640,041	6,001,954
1876.....	408,564	827,278	2,100,399	317,710	767,190	596,176	1,836,552	6,803,680
1877.....	414,869	855,439	1,787,112	386,146	750,389	573,801	1,581,601	6,351,356
1878.....	415,565	1,024,071	2,628,190	597,388	812,882	542,566	1,674,751	7,695,413
1879.....	429,261	1,041,296	3,067,813	508,669	1,078,405	656,774	2,233,635	9,015,753
1880.....	470,410	1,191,503	3,261,402	491,626	1,556,367	671,630	2,790,200	10,533,038
1881.....	679,643	853,050	3,183,319	564,471	1,800,630	1,800,630	3,037,085	11,591,379
1882.....	809,526	777,589	2,557,959	545,093	1,621,532	1,882,868	3,155,826	11,330,393
1883.....	829,815	757,401	2,742,620	565,101	1,359,227	1,715,245	2,923,081	10,392,440
1884.....	733,455	713,586	2,405,946	558,473	1,413,636	1,430,650	2,986,672	10,212,418

Statement showing the length of its lines, stock and debt, earnings from freight, earnings from passengers, gross earnings, net earnings, tons of freight moved, freight expenses, tons moved 1 mile, earnings per ton per mile, expenses per ton per mile, and net earnings per ton per mile of all freight moved on the New York Lake Erie and Western Railroad, from 1852 to 1894 inclusive.

## STATEMENT VI.

Year.	Miles railroad operated.	Stock and debt.	Gross earnings.		Net earnings.	Tons moved.	Freight expense.	Ton miles.	Per ton mile.		
			Freight.	Passenger.	All sources.				Earnings.	Expenses.	Profit.
1852	465	\$27,093,913	\$1,883,198	\$1,382,037	\$3,537,706	\$1,702,598	\$991,323	96,697,695	1.948	1.036	0.922
1853	498	33,578,907	2,537,215	1,601,209	4,818,962	1,911,569	1,298,040	101,626,522	2,496	1.277	1.219
1854	498	35,569,711	3,659,590	1,743,379	5,359,958	2,617,343	1,898,358	130,808,034	2,576	1.406	1.170
1855	498	37,343,895	3,653,002	1,698,070	5,498,993	2,823,249	1,912,053	150,673,997	2,424	1.155	1.269
1856	498	38,252,768	4,545,732	1,655,675	6,349,060	5,297,967	998,221	183,448,043	2,477	1.169	1.308
1857	498	39,282,768	4,097,610	1,405,361	6,742,606	1,897,794	978,067	165,100,880	2,457	0.897	1.568
1858	468	39,079,087	3,843,310	1,182,258	5,151,616	1,470,940	978,067	165,895,686	2,316	0.649	1.677
1859	559	38,401,300	3,193,869	1,154,087	4,489,149	1,507,421	1,987,239	147,127,039	1,821	1.344	0.477
1860	559	40,076,620	3,894,943	1,180,957	5,166,322	1,803,326	1,139,554	214,084,396	1,914	1.001	0.813
1861	559	40,076,620	4,351,464	1,186,046	5,580,917	2,048,024	1,253,554	251,380,127	1,771	0.929	0.843
1862	559	40,285,365	6,042,915	1,096,197	7,863,973	2,992,642	1,632,955	338,364,346	1,892	0.956	0.936
1863	624	40,066,200	8,432,234	1,670,083	10,246,117	3,943,859	2,170,798	403,670,801	2,088	0.964	1.124
1864	624	42,051,700	9,855,088	2,523,005	12,551,480	4,714,490	2,810,681	422,013,644	2,835	1.456	0.879
1865	624	47,467,378	10,726,263	4,450,209	15,302,575	4,483,385	3,242,350	388,557,213	2,761	1.984	0.777
1866	773	51,113,250	11,611,023	3,593,966	15,372,809	4,483,385	3,242,350	478,485,772	2,427	1.684	0.773
1867	773	51,065,943	11,204,689	2,931,833	14,317,213	4,005,996	8,092,079	549,889,422	2,038	1.472	0.566
1868	823	74,594,746	10,780,976	3,531,504	14,376,872	3,908,243	3,908,243	595,609,225	1,809	1.339	0.470
1869	823	101,835,710	12,583,794	4,043,040	16,731,500	3,462,234	4,312,209	817,893,190	1,539	1.171	0.368
1870	848	106,935,710	11,983,547	3,968,899	16,179,481	4,106,450	4,852,505	898,862,718	1,333	0.975	0.358
1871	869	112,895,211	12,661,989	3,972,064	17,168,005	4,721,649	5,564,374	897,446,728	1,442	0.913	0.390
1872	869	115,449,211	14,509,745	3,329,346	18,371,867	5,777,383	6,312,702	950,708,902	1,527	0.979	0.548
1873	899	127,108,155	15,015,807	3,651,534	20,012,606	6,371,364	6,932,510	2,682,986,809	1,115	0.964	0.504
1874	959	134,665,927	13,740,042	3,765,574	16,598,898	5,035,100	6,364,276	1,047,430,238	1,311	0.913	0.398
1875	942	142,230,865	12,278,399	3,461,304	16,876,856	4,197,727	6,239,943	1,016,618,050	1,260	0.958	0.259
1876	957	141,997,784	11,429,929	3,427,626	15,852,461	3,621,259	5,972,818	1,040,431,921	1,098	0.885	0.213
1877	957	142,605,940	10,947,807	3,220,090	14,708,890	3,809,050	6,182,450	1,114,586,220	0,955	0.752	0.203
1878	928	152,694,300	11,914,489	3,070,121	15,644,978	5,009,114	6,150,468	1,224,763,718	0,793	0.674	0.299
1879	928	94,310,064	12,233,481	3,118,944	15,942,023	4,767,324	8,212,641	1,569,222,417	0,780	0.561	0.219
1880	963	150,688,245	14,391,115	3,682,951	18,693,108	7,459,383	8,715,392	1,731,112,095	0,836	0.534	0.302
1881	980	151,740,966	15,979,577	4,041,267	20,715,605	7,049,175	10,506,264	1,984,394,855	0,805	0.529	0.276
1882	1,029	155,842,288	14,642,128	4,384,510	19,976,774	6,887,680	10,284,454	1,951,389,710	0,749	0.526	0.223
1883	1,029	160,552,537	15,562,141	4,134,971	20,598,571	7,019,872	11,965,490	1,979,448,438	0,786	0.532	0.254
1884	1,020	160,601,335	12,903,157	3,676,657	17,613,976	5,549,489	9,318,952	1,794,946,519	0,719	0.519	0.200

## STATEMENT VII.

Year.	Forest products.	Animal products.	Vegetable food.	Agricultural.	Manufactures.	Merchandise.	Coal.	Other articles.	Total tonnage.
1852	76,908	75,493	56,929	2,419	74,847	50,687	.....	118,775	456,460
1853	134,087	99,755	80,868	9,849	112,281	68,742	.....	135,459	651,039
1854	135,757	136,499	99,293	12,236	110,443	79,014	.....	170,008	739,289
1855	118,485	155,596	116,093	8,071	96,495	106,509	.....	240,856	842,055
1856	116,378	170,099	148,943	13,556	110,769	155,473	.....	268,003	983,221
1857	126,003	145,957	120,617	13,909	143,398	143,716	.....	284,539	978,069
1858	92,550	178,076	154,534	10,885	88,976	128,709	.....	163,234	816,964
1859	97,754	170,322	112,726	15,106	94,265	108,051	.....	199,848	869,072
1860	118,890	201,823	197,233	19,909	113,948	178,610	.....	289,141	1,139,554
1861	108,685	203,737	243,859	26,920	145,673	167,244	.....	351,181	1,252,419
1862	89,677	209,715	261,824	44,067	236,909	220,489	.....	470,264	1,612,955
1863	102,008	388,531	228,632	65,171	270,932	296,998	.....	512,784	1,815,086
1864	104,069	280,723	215,986	260,902	116,681	362,767	.....	829,60	2,170,798
1865	99,865	240,220	212,677	75,244	226,298	327,338	.....	1,043,618	2,234,350
1866	173,409	314,468	397,963	72,544	458,027	356,316	.....	1,470,065	3,242,792
1867	197,715	295,671	277,432	62,694	409,446	301,909	.....	1,939,679	3,484,546
1868	216,123	280,116	302,451	50,405	402,576	398,761	.....	2,257,811	3,908,243
1869	191,629	272,548	322,978	15,752	436,846	459,784	.....	2,611,672	4,312,209
1870	198,620	271,245	468,376	111,155	348,423	440,353	.....	3,013,793	4,852,505
1871	261,272	319,785	745,670	118,961	508,654	478,230	.....	157,832	8,142,208
1872	279,725	304,599	711,720	79,498	595,677	451,543	2,109,418	157,832	5,581,274
1873	325,103	325,103	584,030	93,879	444,801	600,960	2,869,680	128,080	6,312,702
1874	184,404	295,582	791,205	101,901	227,377	597,572	3,911,982	311,629	6,304,276
1875	179,514	268,880	674,171	113,195	322,860	553,253	3,854,426	255,503	6,293,943
1876	195,865	341,520	775,464	138,737	369,955	609,955	3,862,567	301,490	5,972,818
1877	220,387	385,779	706,571	127,285	369,321	695,014	3,307,614	459,984	6,182,451
1878	200,231	433,674	1,067,474	144,727	309,180	614,410	2,850,106	530,666	6,150,468
1879	248,153	460,221	1,285,804	165,738	365,981	598,717	4,410,927	677,705	8,212,641
1880	396,551	509,048	1,470,968	224,013	440,197	714,512	4,067,574	902,114	8,715,802
1881	505,983	598,595	1,800,403	366,558	585,145	528,549	5,518,850	1,242,940	11,086,823
1882	630,278	496,513	1,337,698	415,120	698,199	654,368	6,104,672	1,376,490	11,895,238
1883	785,244	637,632	1,679,841	434,518	1,095,431	573,070	6,925,469	1,548,898	13,610,623
1884	632,565	624,139	1,233,859	381,807	650,220	389,736	6,375,319	1,783,983	11,071,998

Statement showing the earnings from freight; expenses of the same; tons carried 1 mile; average earnings per ton per mile; average expenses per ton per mile; average net earnings per ton per mile; through tonnage east and west; local tonnage east and west; and total tons moved on the Pennsylvania Railroad from 1855 to 1884, inclusive.

## STATEMENT VIII.

Year.	Freight earnings.	Freight expenses.	Mileage.	Per ton mile.			Through tonnage.		Local tonnage.		Total tonnage.
				Earnings.	Expenses.	Net.	East.	West.	East.	West.	
1855.....	\$2,805,306	\$1,698,049	102,171,312	<i>Cents.</i> 2.746	<i>Cents.</i> 1.662	<i>Cents.</i> 1.084	106,407	65,565	127,614	65,420	365,006
1856.....	3,244,292	1,991,950	119,836,501	2.707	1.662	1.045	88,707	76,456	196,330	92,559	454,099
1857.....	3,374,041	2,149,876	139,994,548	2.411	1.586	0.825	94,905	79,168	316,415	338,090	856,518
1858.....	3,536,206	2,089,701	162,131,735	2.181	1.289	0.892	141,268	79,942	481,008	344,671	1,046,899
1859.....	3,656,111	2,121,589	180,338,140	2.027	1.170	0.851	129,767	103,839	570,488	366,146	1,170,240
1860.....	4,191,784	2,517,171	214,162,018	1.957	1.176	0.781	170,007	90,746	641,575	420,197	1,340,525
1861.....	5,398,026	2,556,956	280,262,522	1.926	0.912	1.014	311,473	78,576	790,299	301,739	1,484,057
1862.....	7,698,420	4,041,872	376,195,127	2.038	1.077	0.961	367,295	128,102	1,131,634	431,517	2,058,548
1863.....	8,602,262	4,515,717	398,746,258	2.185	1.147	1.038	348,957	127,160	1,281,896	557,400	2,265,418
1864.....	10,361,999	7,878,136	420,627,222	2.463	1.871	0.592	322,497	147,972	1,492,647	632,263	2,585,379
1865.....	11,183,565	9,582,865	420,060,260	2.665	2.281	0.384	302,842	160,899	1,418,698	673,827	2,555,706
1866.....	11,708,294	9,343,505	513,102,181	2.282	1.821	0.461	316,534	164,250	1,831,304	864,271	3,186,359
1867.....	11,832,300	8,792,946	565,657,813	2.092	1.544	0.548	305,080	173,296	2,209,751	1,020,497	3,709,224
1868.....	12,882,165	8,440,518	675,775,560	1.906	1.249	0.657	392,870	216,020	2,583,122	1,235,872	4,427,884
1869.....	12,932,637	9,035,081	752,711,312	1.718	1.200	0.518	470,923	233,243	2,816,530	1,471,299	4,991,995
1870.....	12,793,160	8,247,797	825,979,692	1.549	0.998	0.551	541,005	291,714	3,071,200	1,583,482	5,427,401
1871.....	14,082,305	8,846,695	1,011,892,207	1.389	0.874	0.515	708,327	314,805	3,700,257	1,832,954	6,575,843
1872.....	16,856,891	10,546,492	1,190,144,086	1.416	0.886	0.530	791,504	363,725	4,231,820	2,457,729	7,844,778
1873.....	19,608,555	11,867,198	1,384,831,970	1.416	0.857	0.559	873,795	319,664	5,482,507	2,535,268	9,311,234
1874.....	17,297,505	10,270,013	1,372,566,976	1.255	0.748	0.507	1,065,647	301,324	4,935,187	2,744,788	8,620,946
1875.....	15,651,741	9,116,374	1,478,414,466	1.058	0.616	0.442	1,002,072	852,131	5,388,916	2,372,249	9,115,368
1876.....	14,536,764	8,465,739	1,629,742,021	0.892	0.582	0.310	1,322,276	283,263	5,791,706	2,515,666	9,922,911
1877.....	14,642,199	8,244,981	1,494,798,198	0.980	0.552	0.428	1,019,068	288,719	5,713,443	3,017,065	9,738,205
1878.....	15,804,501	8,374,007	1,732,003,131	0.918	0.483	0.435	1,450,830	287,713	6,195,134	3,013,025	10,946,752
1879.....	17,016,989	9,130,612	2,136,708,887	0.796	0.427	0.369	1,692,376	384,164	7,592,032	4,015,469	13,684,041
1880.....	20,294,046	10,892,868	2,298,317,323	0.880	0.474	0.406	1,851,355	486,005	8,506,206	4,791,222	15,364,788
1881.....	22,400,120	11,598,931	2,555,438,764	0.789	0.437	0.352	1,639,348	568,181	10,116,196	5,905,640	18,239,965
1882.....	23,517,178	13,616,518	2,879,542,701	0.817	0.473	0.344	1,350,129	594,690	11,906,026	6,509,554	20,360,989
1883.....	24,596,789	14,308,556	2,996,892,567	0.819	0.477	0.342	1,388,156	565,694	12,489,252	7,297,058	21,674,160
1884.....	22,823,329	13,606,585	3,082,499,886	0.740	0.441	0.299	1,298,700	531,069	13,380,714	7,498,342	22,563,525



## STATEMENT IX.

Statement showing the number of miles operated; the total tonnage moved through, way, east and west; the number of tons moved one mile; earnings from freight; expenses of freight transportation; the earnings, costs, and profit per ton per mile of moving freight over the Pittsburgh, Fort Wayne and Chicago Railway, from 1857 to 1884, inclusive.

Years.	Miles opened.	Through freight.	Way freight.	East-bound.	West-bound.	Tons moved.	Moved one mile.	Freight earnings.	Freight expenses.	Earnings per ton per mile.	Expenses per ton per mile.	Profits per ton per mile.
	Miles.	Tons.	Tons.	Tons.	Tons.	Tons.	Ton-miles.			Cents.	Cents.	Cents.
1857.	383.0	191,397	113,372	160,493	144,276	304,769	28,393,960	\$657,086	\$455,715	2.27	1.57	0.70
1858.	394.0	163,847	121,816	143,572	142,091	285,663	85,168,323	667,269	465,116	1.90	1.32	0.58
1859.	365.0	175,538	187,068	189,697	172,909	362,606	58,421,205	964,133	693,985	1.65	1.18	0.47
1860.	468.3	250,319	214,985	250,060	215,144	465,204	78,423,319	1,309,714	931,131	1.67	1.18	0.49
1861.	468.3	361,624	164,755	325,993	200,476	526,379	111,398,084	1,905,707	1,100,728	1.71	0.98	0.73
1862.	468.3	453,211	189,896	373,977	269,136	643,107	120,046,905	2,401,630	1,235,422	1.90	0.98	0.92
1863.	468.3	533,546	271,979	451,871	336,219	805,825	166,570,651	3,341,034	2,040,680	2.01	1.20	0.81
1864.	468.3	645,043	313,885	487,276	371,632	858,928	174,621,870	4,148,504	2,626,945	2.38	1.50	0.88
1865.	468.3	477,145	355,470	465,892	366,723	832,615	193,789,901	4,739,068	3,471,922	2.44	1.79	0.65
1866.	468.3	457,581	568,197	606,714	449,064	1,025,778	233,374,794	4,707,582	3,508,663	2.02	1.50	0.52
1867.	468.3	556,106	598,245	624,835	529,516	1,154,351	228,791,443	4,483,016	3,316,469	1.95	1.44	0.51
1868.	468.3	622,071	886,981	794,974	714,078	1,509,052	307,443,978	5,231,557	3,563,003	1.70	1.15	0.55
1869.	468.3	741,084	924,106	912,264	752,926	1,665,190	309,521,917	5,020,874	3,464,715	1.62	1.11	0.51
1870.	468.3	760,402	980,183	904,394	836,191	1,740,585	335,054,380	4,892,326	2,913,552	1.45	0.86	0.59
1871.	468.3	758,088	1,286,026	1,098,255	948,859	2,047,114	391,035,801	5,581,051	3,031,388	1.43	0.78	0.65
1872.	468.3	1,018,532	1,368,496	1,257,987	1,030,687	2,407,018	437,852,472	6,909,306	3,949,121	1.40	0.81	0.59
1873.	468.3	826,826	1,365,818	1,257,987	1,030,687	2,292,044	479,917,429	6,719,399	3,555,263	1.40	0.93	0.45
1874.	468.3	812,094	1,617,020	1,268,385	1,040,730	2,309,128	464,696,190	6,841,961	3,749,976	1.36	0.74	0.52
1875.	468.3	879,128	1,617,020	1,418,613	1,177,535	2,496,148	491,289,899	5,430,511	3,371,945	1.11	0.69	0.42
1876.	468.3	1,086,416	1,518,351	1,472,948	1,131,819	2,604,767	563,400,267	5,266,172	3,553,399	0.93	0.63	0.30
1877.	468.3	792,879	1,897,898	1,358,948	1,331,787	2,690,735	439,998,381	4,790,424	2,985,320	1.01	0.67	0.34
1878.	468.3	1,555,579	1,870,571	1,607,933	1,418,317	3,026,250	637,470,506	5,600,458	3,172,108	0.88	0.50	0.38
1879.	468.3	1,438,243	2,241,139	1,844,810	1,634,572	3,679,982	803,083,260	6,066,594	3,519,307	0.76	0.44	0.32
1880.	468.3	1,380,162	2,485,523	1,763,941	2,101,734	3,865,675	806,257,399	7,359,452	4,069,097	0.71	0.51	0.40
1881.	468.3	1,727,179	3,026,041	2,084,592	2,668,628	4,753,220	1,044,447,161	7,785,730	4,534,620	0.63	0.43	0.32
1882.	468.3	1,677,140	3,160,096	2,045,228	2,792,008	4,387,236	991,907,501	7,464,037	4,680,695	0.75	0.47	0.28
1883.	467.6	1,413,019	3,663,292	2,154,715	2,921,596	5,076,811	944,563,876	7,432,479	5,240,558	0.79	0.55	0.24
1884.	467.9	1,343,747	3,352,836	2,001,032	2,685,551	4,696,553	907,951,237	6,111,216	4,464,887	0.87	0.49	0.13

Statement showing the earnings of, tons of freight moved, and tons of freight moved 1 mile, and the rates per ton per mile charged by: the Chicago and Alton, the Chicago, Burlington and Quincy, the Chicago, Milwaukee and Quincy, the Chicago and Rock Island, the Chicago and Rock Island, the Lake Shore and Michigan Southern, and Michigan Central Railroads from 1870 to 1884, inclusive.

## STATEMENT X.

## STATEMENT X, PART I.—Gross earnings from freight.

Years.	Chicago and Alton.	Chicago, Burlington and Quincy.	Chicago, Milwaukee and Saint Paul.	Chicago and North-western.	Chicago and Rock Island.	Illinois Central.	Lake Shore and Michigan Southern.	Michigan Central.	Aggregate of all.
1870	\$3,372,068	\$4,514,629	\$5,116,141	\$3,187,597	\$3,587,002	\$5,142,521	\$8,746,126	\$2,629,438	\$42,290,522
1871	3,740,203	4,949,684	4,444,568	7,700,809	4,025,277	6,086,713	10,341,218	3,072,557	44,363,929
1872	3,607,543	5,299,874	4,566,991	7,921,275	4,213,372	5,865,614	12,824,862	3,382,345	47,297,976
1873	3,897,452	6,421,369	6,421,369	8,614,260	4,597,982	6,083,364	14,192,399	3,882,933	55,675,118
1874	3,446,881	8,445,909	5,197,152	10,270,519	5,003,001	7,700,573	11,918,958	4,744,839	57,667,217
1875	3,173,631	8,502,617	5,680,568	9,549,430	5,292,412	5,490,995	9,630,038	4,417,276	51,755,987
1876	3,541,346	8,891,295	5,384,230	9,832,972	5,191,577	4,748,355	9,405,629	4,158,887	51,014,221
1877	3,067,769	9,834,544	5,697,906	9,005,273	4,708,146	4,555,455	9,476,607	4,316,866	50,232,343
1878	3,409,510	11,182,179	5,750,437	10,754,168	5,573,733	5,024,070	10,048,952	4,646,248	56,361,357
1879	4,242,791	11,650,622	5,850,755	10,637,867	6,929,926	5,099,156	11,288,261	4,986,988	61,685,868
1880	5,808,484	16,034,209	8,884,226	12,897,777	8,035,165	5,871,832	14,077,294	6,195,971	77,824,956
1881	5,546,870	16,595,819	11,884,796	14,414,151	8,690,480	5,875,649	12,659,987	5,675,731	81,343,483
1882	5,948,123	15,711,509	14,002,335	17,525,134	9,687,097	5,918,152	12,022,577	5,426,455	86,241,882
1883	6,197,681	19,514,161	16,365,354	16,894,352	7,923,237	8,664,959	12,480,094	9,473,365	97,517,203
1884	6,073,675	18,514,432	16,128,964	17,677,866	8,056,316	7,902,043	9,358,816	7,620,887	91,332,999

## STATEMENT X, PART II.—Tons of freight carried.

Years.	Chicago and Alton.	Chicago, Burlington and Quincy.	Chicago, Milwaukee and Saint Paul.	Chicago and North-western.	Chicago and Rock Island.	Illinois Central.	Lake Shore and Michigan Southern.	Michigan Central.	Aggregate of all.
1870	1,261,432	1,052,754	1,522,753	2,232,978	856,668	1,628,994	2,978,725	823,770	12,303,084
1871	1,501,495	1,382,575	1,463,155	2,296,170	914,345	1,831,944	3,784,525	1,105,875	14,292,025
1872	1,641,799	1,689,104	1,697,826	2,510,016	1,014,348	2,039,321	4,443,092	1,236,319	16,273,819
1873	1,642,443	2,221,744	1,791,564	2,958,390	1,288,966	2,057,360	5,176,661	1,386,786	19,831,854
1874	1,421,156	2,420,628	1,393,383	3,591,090	1,393,935	2,069,935	5,231,267	2,345,466	20,234,482
1875	1,545,842	2,396,983	1,832,527	3,153,315	1,717,727	2,016,424	5,022,496	2,686,948	20,371,512
1876	1,818,235	2,892,614	1,765,801	3,471,927	1,650,000	1,809,627	5,093,167	3,056,586	22,173,757
1877	1,560,188	3,249,623	1,687,057	3,413,398	1,651,409	1,803,044	5,513,398	2,830,000	21,703,119
1878	1,967,306	3,975,010	1,955,699	3,971,931	1,768,118	2,097,832	6,096,445	2,786,046	24,660,317
1879	2,634,177	4,686,352	2,559,734	4,946,927	2,398,571	2,097,832	7,541,459	3,513,819	29,862,069
1880	3,071,768	6,680,168	3,280,353	5,574,635	2,960,763	2,705,552	8,350,366	3,797,137	36,363,790

STATEMENT X. PART III.—Number of tons carried one mile.

Years.	Chicago and Alton.	Chicago, Burlington and Quincy.	Chicago, Milwaukee and Saint Paul.	Chicago and Northwestern.	Chicago and Rock Island.	Illinois Central.	Lake Shore and Michigan Southern.	Michigan Central.	Aggregate of all.	Rate in cents per ton per mile.
1881.....	145,000,000	7,409,207	181,428,573	364,747,240	130,688,871	285,409,400	514,085,571	190,606,687	1,899,320,549	2.227
1882.....	170,000,000	206,949,500	173,676,258	268,417,881	151,864,519	262,150,400	703,676,595	216,739,727	2,183,478,482	2.032
1883.....	180,000,000	240,857,009	187,361,638	287,764,006	168,764,519	272,290,900	924,844,140	246,078,512	2,512,960,724	1.892
1884.....	182,300,000	418,385,184	257,638,532	366,475,480	219,394,094	275,308,400	1,053,937,189	318,401,088	3,070,824,967	1.813
1874.....	162,806,676	445,686,222	259,158,298	461,412,039	249,523,401	273,559,200	943,236,161	318,366,003	3,169,033,910	1.820
1875.....	168,923,879	436,263,161	272,539,502	454,550,357	287,913,578	284,650,900	943,236,161	396,046,422	3,244,187,060	1.586
1876.....	217,835,161	476,822,998	264,808,027	503,132,389	287,511,340	284,602,300	1,133,834,828	478,837,807	3,602,384,890	1.416
1877.....	211,947,565	655,636,293	271,698,123	485,357,900	276,190,164	243,345,900	1,036,005,561	532,373,503	3,781,894,513	1.330
1878.....	248,286,318	952,230,000	321,818,902	623,768,593	376,436,362	306,345,700	1,340,467,526	548,053,707	4,691,407,423	1.202
1879.....	402,234,386	1,136,733,772	401,696,734	681,878,811	610,859,804	335,470,800	1,733,423,440	721,719,312	6,326,175,549	0.975
1880.....	464,474,730	1,024,461,793	504,876,154	865,909,542	686,458,954	331,288,400	1,837,166,018	735,611,995	7,134,247,608	1.090
1881.....	447,009,997	1,211,903,074	697,347,607	980,522,774	712,383,129	386,035,424	9,021,775,408	790,022,930	7,247,000,493	1.122
1882.....	474,823,908	1,222,808,402	945,250,159	1,192,188,039	738,466,874	417,792,652	1,892,868,224	703,241,320	7,637,439,578	1.129
1883.....	549,369,534	1,552,141,453	1,176,605,032	1,183,829,358	701,595,385	604,632,667	1,639,512,445	1,141,282,864	8,598,968,708	1.134
1884.....	602,768,054	1,427,286,632	1,247,737,233	1,350,173,773	734,601,380	577,542,939	1,410,545,675	1,179,193,827	8,539,849,513	1.071

The committee adjourned until to-morrow at 10 o'clock a. m.

NEW YORK, *May 23, 1885.*

The committee met pursuant to adjournment.

### JOSIAH J. WHITE'S STATEMENT.

JOSIAH J. WHITE (of the Chamber of Commerce of New York) appeared and said:

#### DEPARTMENT OF COMMERCE.

A great deal of the ground has been gone over by myself and other gentlemen who appeared before the House committee on this subject. Many of us who have been studying for a number of years feel that we should be congratulated and that your committee should be congratulated on having taken it up, and we hope that it may lead to such further investigation of general commerce as will cause eventually the establishment of a Department of Commerce in the Government of this country, the same as the British Government has to-day, and which is there known as the Board of Trade, with a merchant at the head of it, who is a cabinet minister. We feel that it is because Great Britain has given so much thought and attention and time to the question of commerce that she is the center of the financial and commercial world.

I may state in a general way some things which will perhaps be an answer to the particular questions you have put in your circular.

#### CAUSES OF FINANCIAL DEPRESSION.

The present state of the finances in this country, the general depression of trade, is not due wholly to the railroad question. There is in all parts of the world to-day a depression in trade. In about so many years the world passes through a period of overproduction, or, as some people think, underconsumption (that is a mooted question which I do not propose to discuss); but that the world is going through that period to-day is without doubt. I correspond with some nine or ten countries, speaking different languages, and I find the same story everywhere that there is general depression and no trade.

#### OVERCAPITALIZATION OF RAILROAD COMPANIES.

But there are particular causes which affect the financial status of this country to-day. There is the mode of railroad projection which was first inaugurated by the Pacific railroads, which was what I have termed triple capitalization. It culminated in 1872 in the largest mileage of railroad building the world ever saw. In those days they put out an unlimited number of first-mortgage bonds per mile—as many as they could sell. They averaged a rate of interest of about 7 per cent., some of them as high as 8 per cent. Then those first-mortgage bonds were put upon the market for, say, \$30,000 per mile, and sold them at any price that could be obtained for them; a great many of them were sold at an average of 50 per cent. of the face value. Then they put out second-mortgage bonds for, say, \$30,000 a mile of the railroad built or to be built, or in lieu thereof they would put out preferred stock. This stock to have the preference in the payment of dividends when earned. Lastly came the third capitalization, the common stock of, say, \$30,000 per mile issue, which was not to pay any dividends until the interest

had been earned on the first-mortgage bonds and on the second-mortgage bonds or preferred stock. This common stock had to come in last; but this common stock controls the railroad, and the projectors were very careful to keep at least one-half or a majority of that stock, because it elected the officers and controlled the property. The proceeds of first-mortgage bonds were intended to cover the entire cost of construction; whatever was realized for the second and third capitalization was clear profit to the projector. But this fictitious capitalization (discounting the natural appreciation and earning capacity of future years) culminated in the most baneful results to the general public. In 1873 we had the terrible panic which you gentlemen are all familiar with.

Senator MILLER. You say that the Pacific railroads put out unlimited first-mortgage bonds. I do not know whether you mean that in its full force. Was it not true that each one of those various railroad companies started with some fixed amount of first-mortgage bonds which it would issue, and not any more in that direction? Although the amount was large, yet it was a fixed quantity, was it not?

Mr. WHITE. There were some railroads that did fix a limit, that is, so many thousand dollars per mile; but many of them did not even put that limit on. They tempted the investing public into getting a bond bearing 7 per cent. interest for 50 per cent. of face value, and the public did not stop to scrutinize. The depression which followed the bubble which was pricked here in New York by the failure of Jay Cooke & Co., in charge of the Northern Pacific, was followed by the pricking of the general bubble, and for several years nobody would touch railroad property; but gradually people began to look for investment for capital, trust funds were wanting investment, widows and orphans were needing some place in which to put money yielding sufficient income for support. A great many of the railroads having become bankrupt, projectors of railroads went in and bought them up, joined them together, made through systems of them, recapitalized them; and we have a notable instance of one out in Missouri, I think, where one of these schemes was put through, where, almost by the stroke of the pen, \$30,000,000 was made out of the recapitalization. People have felt, "Here is a limit of, say, \$25,000 or \$30,000 a mile, here is a first-mortgage bond just as good as a mortgage on a house," and large amounts of money have been invested out of the surplus of merchants and of trustees of estates. Perhaps a man has died leaving a moderate fortune for the support of his family, and the low interest paid by the Government, and the taking up of all mortgages and town and county bonds by savings institutions and other institutions, has made it extremely difficult to find good investments; so that to-day almost everybody of any means has some investment in railroads in the shape of first-mortgage bonds, bearing 6 per cent. interest. The mileage of railroads built under these bonds increased in 1882 to even greater proportions than that arrived at in 1872.

This mode of projection, I think, is the root of all the evils which we are experiencing to-day. I feel that we should have some laws similar to the laws in Germany, which prohibit the borrowing of any money by a railroad company until the entire capital stock is paid in. I own some stock in one of our old railroad companies here, the New York and New Haven Railroad, and, to show you the difference resulting from honest projection, this company was projected on the old-fashioned plan of subscribing to the capital stock. The property has become very valuable by long establishment and earning capacity. I do not think anybody begrudges the natural appreciation and increase of the value of its

plant. They came into the market here recently (at the request of some of the stockholders), wishing to put down another track, and they put out bonds at 4 per cent. per annum, instead of 6 per cent., as the other roads have done, and who have had to sell their bonds for an average of about 90. These bonds are to-day worth 110 in the market, while the ordinary 6 per cent. first-mortgage bonds of other railroads which have been projected within the last five or six years are selling anywhere from 5 per cent. to 90 per cent. of face value. It shows that the whole system of projecting railroads which we have had in this country since the projection of the Pacific railroads has been on a false basis. I have been connected with the projection of some modern railroads myself, and I have seen the fallacy of this mode of projection.

It takes two or three years after you sell your first-mortgage bonds before the road arrives at any earning power. Almost every railroad projector is mistaken in what he supposes is going to be the cost of construction. The first cost of construction is but a small part of the completion of the road and making it solid. The first-mortgage bonds are put out and the interest day comes around. The road is not in condition, has not reached its earning power yet; and what are the projectors going to do? They go around and try to borrow some money. They have not got any money except what they have realized from the first-mortgage bonds; the capital stock has cost nothing, the second-mortgage bonds or preferred stock have cost nothing, and they have no money with which to pay this interest. The consequence is that to-day almost all of our new roads are really in a bankrupt state, many of them in receiverships, and there is terrible suffering on the part of the investing public. I really feel as if there was more suffering to-day among the perhaps moderately well-to-do people than there is among the poorer or the laboring classes. I have seen in the last six months a great deal of misery among widows and children who have had their all invested in securities of this kind.

#### EXTORTION AND DISCRIMINATION.

Now, to get at this matter, your first question asks as to "the best method of preventing the practice of extortion and unjust discrimination by corporations engaged in inter State commerce." I feel as if that question should be answered, perhaps, in the limited time I shall have here, in the general way that we must have remedial laws first. I have taken a good deal of interest in the particulars of the Reagan bill, and I do not see that there is anything in that bill which militates against the investment in railroads. On the other hand, the evils complained of and needing remedy, I think, are too well founded, and we do not need further investigation to determine those evils, but the application of remedial laws should at once be made.

#### A NATIONAL COMMISSION.

I would, after having these statutory provisions, then have a railroad commission to enforce those provisions, and to hear all complaints, and generally supervise the subject. That railroad commission, I think, ought to be composed, in fairness, of representatives of the agricultural interest and representatives of the commercial interests, and the railroads should also have a representation, on the commission. There should be counsel provided for the commission to interpret the law; but it should be composed of really practical men in their lines. The interests which are at stake in this matter are the producing interests and the commercial interests, and of course no injustice is desired to be done to the railroad by denying it representation.

## PREVENTION OF REBATES.

As to the best mode of preventing the practice of unjust discrimination, I have given the matter considerable thought, and I have also had some discussions with Commissioner Fink, and with other gentlemen well up in railroad matters, and they have admitted, in my discussions with them, that there is no way in which to prevent the secret rebate system unless you provide a reward for the informer. The system is of a secret nature. You heard one of the gentlemen from the Produce Exchange say yesterday that he knew to almost a moral certainty that discrimination had taken place, but he did not dare to expose it, and I know of gentlemen who have dared to expose this matter who have been entirely ruined in their business; the railroads have sat down on them. The way I have stated, I think, is the only way secret rebates can be exposed. Mr. Fink cannot go into the details of the business of all the railroad offices; he would have to employ a thousand clerks there to continually examine their books, and it would be impossible for him to discover all the cases. The shipper who gets a rebate is not going to tell of it, because if he does his rebate will be shut off; the railroad agent is not going to tell of it; and the only way to get the information would be to provide a reward for some clerk to tell of it and expose it. It can be stopped, in my opinion, in that way, and in no other way.

The CHAIRMAN. You think a law in terms prohibiting that practice would not amount to anything practically unless there was some special means provided more than the opportunity a commission, if one should be created, would have to go and examine the books?

Mr. WHITE. No, sir; it would never be discovered. There have been, in various stages of the pool here, instances where members of the pool could be penalized by the commissioners for cutting rates by means of rebates, but the penalty has not been enforced, and these secret rebates have been going on all the time under the pool and there has been no exposure of them to the public.

Senator HARRIS. Your suggestion, then, would amount to something like this: you would prohibit rebates, you would impose a heavy penalty upon the transportation company guilty of the violation of that law, and give to the informer one-half or a moiety of the penalty?

Mr. WHITE. Yes, sir; or even the whole of it, in order to check the thing. There is no other way in which it can be done. I was on a committee of merchants a few years ago that took up the freight-handlers' strike, where the railroads refused to perform their functions. The city of New York lost in trade several millions of dollars, and some of our houses here were ruined. It came at a time just before the 4th of July, when they wanted to send their goods to the country. The railroads would not perform their functions; they would not take the goods; and we had a case here in the courts, which the judge of the lower court decided against us, but it was carried to the general term and Chief Justice Davis gave a decision in our favor. It was too late, however, to be of avail in the difficulties then taking place, the strike having been ended and the railroads having resumed their carrying business. Our committee put out a circular to all the merchants who had suffered so much, offering them counsel so that they could sue the railroad companies and reimburse themselves for the damages they had sustained, and yet we did not have a single application. There was not a single merchant, although some of them had been ruined, who dared to come up and sue the railroads. That shows you something of the fear entertained by merchants of the railroad power.

## MAXIMUM AND MINIMUM RATES.

Now I will pass to question 4, "The advisability of establishing a system of maximum and minimum rates for the transportation of interstate commerce." I am opposed to any regulation of rates of freight. I was educated in the old school of commerce and graduated into the new school; that is, my activities in life have been in the new school. I have been forced to face the new conditions of things; yet I believe most thoroughly in the old idea, which is as old as commerce itself, the universal law of supply and demand will regulate rates, and you might as well try to make water run up hill as to undertake by some artificial means to obstruct those laws.

The CHAIRMAN. What is your business now—a merchant?

Mr. WHITE. I am a merchant and have been for many years intimately connected with transportation. I was first educated in the East India trade. I have traveled pretty much all over the world and have been engaged in general commerce and in the carrying trade all my life.

## PROHIBITION OF REBATES.

In reply to the question, "Should any system of rebates and drawbacks be allowed? If so, should such transactions be regulated by law and be subject to official inspection or approval?" I would say, as a general thing the whole system of rebates is wrong; at any rate, if there are to be any rebates they should be made publicly.

## UNIT OF TRANSPORTATION.

Mr. Fink and myself have been in antagonism as to our ideas, but I am more liberal than he is with the railroads as to what is the unit of transportation. He says that a single car load is the unit. I have been engaged for a number of years in a specialty in export in the shape of staves. I have gathered them in the West, and a whole train of that merchandise amounts to very little money value in the West. Only a few years ago I bought a lot of staves. I think they cost me only about \$2,500, and yet it took 23 cars to carry those staves. They were from the region of Cincinnati. I feel that a train-load, what might be called an average train-load, should be the unit. It should not go above that. A railroad may carry a train-load through, say, from Cincinnati to New York at much less cost to itself than it can gather up a car-load here and there at different points, or even at the same point, from many different shippers. On railroads in which I have been interested and of which I have been an officer I have sometimes taken what is known as the local freight train in order to go and see a great many people in one day. I remember one time when I started out at 4 o'clock in the morning in the caboose of a local freight train; we stopped at every station on the road; some places we would stop fifteen minutes and some places an hour, which gave me an opportunity to see somebody at each one of those stations and transact all the business I wanted to; and at night-fall we had only accomplished 100 miles. Passing us on the road came along the through freight train, which stops only at the ends of sections, where we stopped at night and delivered all the cars which we had picked up during the day. That through train made 200 miles while we had only made 100 miles, and we had just as much expense for running the train, because the chief cost of running a train is the wages of crews (the engineers, firemen, brakemen, &c.);



the fuel is the smallest part of the cost. These through trains can carry merchandise and carry traffic much cheaper than the local trains can do. You can see how much time is consumed in stopping at stations, shunting, going up switches, &c. For that reason I feel that in justice to the railroads the unit ought to be made a train-load; that they should make a lower rate of freight to a person who can ship a whole train load; but that that rate should be public, and that everybody and anybody should have the privilege of that rate. It might be necessary under these circumstances to make a rebate of a percentage in favor of a person who ships twenty cars in place of the man who only ships one car, though as a general thing the whole system of rebates is an evil and ought to be stopped.

Senator MILLER. You speak about making a train-load the unit instead of a car-load. Would you think it wise to do that in the case of agricultural products, which are collected all along the railroads in the West? They are brought to a station, and at all the little stations there are small elevators for the holding of grain; the grain of the farmer is brought in and stored there, and it may be shipped away in a single car-load from a station, and the train made up, as it goes along, of one kind of product. If you make the unit a train-load instead of car-load, does not the effect of that absolutely drive out all small dealers? Would it not, in effect, in a very short time, put the entire business of grain forwarding into the hands of a very small number of forwarders, and drive out the industry, which we find everywhere, of a man who has a few thousand dollars invested in produce and who forwards it by the car-load? Would it not be making the rich richer and the poor poorer in all that business? Would your rule apply in that case, or could it be applied to agricultural products?

Mr. WHITE. I think there is some injustice to the middleman engaged in the business of gathering up agricultural products and forwarding them to a market. If any one can pay for a single car-load of stuff, or a part of a car-load of stuff, and can forward that to market as cheaply as the middleman, his business is gone.

Senator MILLER. Would not the system you favor lead to a monopoly? You pay the forwarder having the low rate of freight on the train-load, and no man can protect you and ship a car-load, because his business is destroyed. It becomes an absolute monopoly, in my judgment.

Mr. WHITE. Could the middleman make any money if any one could ship his stuff to the market, say to New York City, and realize from it just what he could, while he went to all the trouble and expense of collecting small lots together, and saves the railroad the expense of gathering up small shipments into a train, besides the middleman is beneficial to the small producer in furnishing ready cash, which the producer needs before he could realize from making his own shipment?

Senator MILLER. The man who ships the single car-load of course must ship it to a dealer, and it must all go into one common line; but the great complaint made by men of small means against the railroads is that the discriminations of the railroads are in favor of the rich and against the small man, so that the small man cannot do any business. I have no doubt that all agree that it is not desirable to produce such a result as that. In other words, we do not desire to monopolize the business of forwarding grain in the hands of a few strong men, because we have seen pools in grain which have very much injured the country by putting the price up and putting it at a rate where it could not be exported, and thereby holding it in the country and injuring us all.

Mr. WHITE. I think those evils have existed more with large shippers

of a thousand cars, who can make it such an object to the railroads that they will get a tremendous reduction. I would permit no cheaper rate to the shipper of one thousand cars than to the shipper of a train of twenty cars, and the difference in rate between twenty cars and one car should be equivalent to the difference of cost of the service.

#### INSTANCES OF REBATES.

I have known of rebates here of one-half the tariff rates, which, of course, seriously affected the trade in that article. I am referring now to grain from the West. The result was that certain parties in New York entirely monopolized the food products of the West, because they had this tremendous rebate, and no other merchant could legitimately buy such products and market them here.

The CHAIRMAN. You speak of secret special rates of shipment?

Mr. WHITE. Yes, sir; the tariff rate is ostensibly maintained; they bill at the tariff rate, but they get a check for the difference.

Senator HARRIS. One-half the freight?

Mr. WHITE. Yes, sir; I have known of such cases.

Senator PLATT. Are those instances frequent or rare?

Mr. WHITE. It is going on to-day, and it has been going on ever since the pool has been established.

Senator PLATT. I mean instances in which the rebate amounts to one-half?

Mr. WHITE. It was only two years ago that I had a rebate of  $11\frac{1}{2}$  cents when the tariff rate was  $26\frac{1}{2}$  cents, so that my own rate was 15.

Senator PLATT. The published tariff rate was  $26\frac{1}{2}$  cents; but was that the actual rate?

Mr. WHITE. That was the actual rate, but I had a rebate of  $11\frac{1}{2}$  cents from the  $26\frac{1}{2}$ .

The CHAIRMAN. By private arrangement?

Mr. WHITE. Yes, sir. I made my contract. I went to the railroad agent and said, "Here is a lot of merchandise that I cannot afford to pay over 15 cents on; I cannot buy it and ship it unless you take it at that." Said he, "I will take it." When I got my bills in it was billed at  $26\frac{1}{2}$  cents. Said I, "Did I not have a contract with you at 15 cents?" "Yes, you did." "Why do you send me a bill for  $26\frac{1}{2}$  cents?" "Well, you will have to pay that, but we will give you a check back for the difference." That is the way it is commonly done while the pool rate is in force, but no written contract is made for fear of exposure, and should the merchant expose his rate he will be punished by a denial of the existence of the verbal contract.

The CHAIRMAN. Were you buying grain at the time?

Mr. WHITE. It was not grain, it was other merchandise.

The CHAIRMAN. Other men were in the same business that you were?

Mr. WHITE. Yes, sir; but I did not know what my neighbor got; perhaps he got more rebate than I did. And this uncertainty has forced the members of the Produce Exchange into gambling, because no man knows how much rebate the other man gets, and because railroad officials can make the market prices conform to any freight rates they please.

There was a gentleman here yesterday—I do not want to mention his name, but it is a good illustration of this whole subject—who came down-stairs to me on the Produce Exchange, one day, looking very much annoyed and very sour. I asked him, "What is the matter?" He said, "Hang the railroads." Said I, "That is very curious language for you to use; I have always supposed you had the inside on the rail-

roads here." "Well," said he, "I thought I had myself; but I have found there is a ring within my ring, that some of the railroad people here have gone into a pool on grain, and they have sold me out, and I have lost \$20,000 to day."

That gentleman at that time thought the rest of us who had been advocating these reforms were a parcel of cranks and communists, but now he is an advocate for Governmental regulation of the whole system of transportation.

#### POOLING ARRANGEMENTS.

As to pooling, I will not waste much time, because I have had public discussion in correspondence with the pool commissioner, which correspondence is published in testimony taken by the House Committee on Commerce at the last session of Congress. I have given the subject a great deal of thought and have examined the pool principle very thoroughly. I will only say that the pool is a sham and deceit. It does not do the railroads any good. It does not do the public any good. It is simply the instrument to prevent competition, and yet it does not prevent competition. Neither does it prevent discrimination or a cutting of rates in any manner. The year 1880 was the bonanza year in railroading. There was more merchandise to transport than both the railroads then in existence and the water-routes could transport. All the railroad agents had to do was to sit still and refuse to take freight. The pool had made a rate which it was very easy to keep under those circumstances. The railroads could have got more if it had not been for the pool; they might have asked almost any rate of freight they pleased, because everybody wanted to ship. Europe demanded our grain and other products, and the canals, the lakes, and all the railroads were taxed to their utmost capacity to carry the merchandise. And yet I know that right in the midst of that, when there was no necessity for any cut in rates, certain of the large grain houses and produce houses had their cut rates in the shape of rebates. So much came out of the investors in the stocks of the railroads. It did not do the railroads any good; it did them harm; and it served to give a monopoly of business to a select few, and the members of the pool have used it as the means of bullying or bearing stocks. The announcement that rates are established advances stocks, that the pool rates are broken will cause stocks to decline. I have known stocks to be advanced on orders to advance the pool rates being made public, while the railroads could not get any traffic because rates thus advanced were prohibitory of shipments.

As to whether the pooling principle should be regulated by law, I have rather been inclined, so long as Mr. Fiuk has come to my views in this matter, to let him go on and advocate the control of the principle of the pool by law; not that he should have the control or that the railroads should have the control, but that the Government, by some responsible power, should control the principle of the system.

The CHAIRMAN. You mean that the Government should allow a combination of railroads, but under the control of some Governmental authority?

Mr. WHITE. No, sir. I think it is a most dangerous power to permit a combination of railroads to control the destinies of the products of the West or of the South, and be able to advance or depress localities, as these men can to-day. They have it in their power to say whether a section of country shall progress or not, whether it shall be built up or not. They can place a value on your farm in the West, say whether

your farm shall be worth something or nothing. I say that is more power than would be granted in any other country in the world to irresponsible parties, as these railroad companies are. What do they care for the dear public? They care nothing for it. The National Government has got to supervise them, and the people of the country will never submit to a dictator such as the pool is to-day unless they have the privilege of selecting that dictator. I have little faith in the pool theory (possibly if conducted by the Government it may be less of a failure than the pool as it exists to-day), which is a tribunal which determines the destinies of men and of territories at its will. The other side, the people, have no voice in the matter. They are never invited there to state their grievances or to have anything to say whatever. Those in the pool hold secret conclaves, and they determine whether they shall permit this or that section of country to grow up. Perhaps the railroad officials want to go in there and buy up the land. If they want to get it at a cheap price they will put on prohibitory rates, and they can buy it for a mere song.

Senator PLATT. That is a possible result of the pooling arrangement, as we can all see; but is there any practical evil of that sort within your knowledge?

Mr. WHITE. Yes, sir. About twelve years ago I was traveling in the West. I was gathering up staves for export to Europe. I went out to the longitude of about Chicago. I got a rate of freight from that longitude of 15 cents a hundred pounds through to New York, lighterage free, delivered on board ship here bound to Europe. Export staves are a very bulky article, different from the domestic article. They are very large and more like logs than the manufactured domestic article. We have to get low rates of freight in order to do any business at all. I came home over the trunk line upon which I shipped that merchandise to New York. About half way between Chicago and New York I stopped. I saw fine oak trees such as I wanted, and a section of country there for about 100 miles which had not been stripped of its timber at all. There were no competing lines of railroad there; there were no water-ways. I got off at a place and I looked around and I talked with the people there. Said I, "Why do you not cut down your trees and market them?" I found the people poor and dependent. They said, "The railroad will not let us do it; they put on such a rate of freight that we cannot market this timber." Those people, knowing that I had been a transportation agent and somewhat engaged in railroads, said to me; "Will you not please, Mr. White, go to the general freight agent of this railroad and see if you cannot do something for us? We are willing to give the railroad this timber if they will allow us a dollar a day for our labor in cutting it up and shipping it on the cars." I went to the railroad agent and told him that I thought he was making a great mistake; he was putting on double the rate from that point—it was 500 miles nearer New York—that he was charging me for a thousand-mile haul. His reply was, "Is there any other way that timber can be got out of there?" Said I, "No, there is not." "Then," said he, "we are going to hold on until we get our price for it." Said I, "You are losing interest on transportation. These people cannot live there; they must leave that country unless you give them a chance to live." He said, "We know what our policy is, and you can't change it." I came through that country about two years ago. I stopped off and inquired for some of the people whom I had seen there ten years before. I could hardly find any of them. There was no progress in building going on there; no towns had sprung up. Those same trees were there, but the black worm had come in and

ten them up, and they were valueless. The railroad company lost that transportation, and some of those men, as I was told, actually walked away, abandoning their farms, abandoning their property virtually to the railroad company, because they had mortgaged them for something to live on, and some of them had actually walked 500 miles west to get to a competing point, where they could ship their products and where they could farm at a profit. I heard from one of them the other day, that he has become a prosperous farmer away out West, because he can get a fair rate of freight; but this other country is almost lepopulated. It had not grown a bit, and yet some points farther west have grown from a wilderness to be prosperous towns.

When you see two railroads come together, how soon do you see a town spring up, because that is a competing point and the people get a low rate of transportation.

#### SELECTION OF LINES BY SHIPPERS.

In answer to your eighth question, "Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?" I say, yes, shippers should have such right. In my discussion with Mr. Fink four years ago I anticipated that that very trouble would arise. We have recently had great complaint on that point. I showed him that under his theory of the pool that was what would inevitably occur.

#### THE LONG AND SHORT HAUL.

As to question No. 10, "Should corporations engaged in inter-State commerce be permitted to charge a lower proportionate rate for a long than for a short haul?" I think they should be allowed to charge more per ton per mile, because it costs them more. There is not any question about that; but is there any reason in the illustration I have just given you why that railroad should charge double the rate for a 500-mile haul that it does for a 1,000-mile haul?

Senator HARRIS. Do you think there is any reason why it should charge not only double the rate, but charge anything more for the 500-mile haul than the 1,000-mile haul?

Mr. WHITE. No, I think not. It is a very difficult question to get at the exact equitable rate, but it is eminently fair to the railroads that they should be allowed to charge as much for a short haul as they do for a long haul. That cannot be any injury. If you will allow me to charge as much for a 500-mile haul as I do for a 1,000-mile haul, I think I can make money with any railroad.

The CHAIRMAN. If the Congress of the United States should pass a law declaring on that point that no railroad should be allowed to charge more for a short haul than a long one, what, in your judgment, would be the practical operation of it? Would the railroads take advantage of that and charge as much in every instance, or would they go on as they do now, taking care, however, not to violate the law?

Mr. WHITE. I think perhaps they would in a great many cases charge as much for the short haul as they would for the long haul; but to-day they charge more for the short haul than they do for the long haul, and it is a great injustice to sections of the country. I had myself a few years ago two car-loads, one of them consigned to me from the region of Chicago and another from about 100 miles west of Buffalo. They both happened to come in here on the same train and it was identically

the same sort of merchandise. The short-haul car was billed at a local rate. It was during a railroad war, and because that was at a local point it was billed to me at 26½ cents, and the car-load from Chicago was billed to me at about 10 cents, a hundred pounds. There is a case where I paid over double for the shorter haul. How can the man who lives in that section compete with his neighbor further west? He cannot do business. In that case it did not come out of me; it was a consignment.

The CHAIRMAN. Would it, in your judgment, be as much as Congress ought to do to simply say in a statute that a railroad shall not charge more for a short haul than a long haul?

Mr. WHITE. I think that is as far as you can go at present. It certainly is no unfairness to the railroads; it is somewhat experimental, but the experiment would serve to assist in arriving at an equitable rate for short hauls. As a railroad man myself, I would accept that as being very liberal on the part of the public.

Senator PLATT. I wish to ask, for information merely and not as indicating my opinion on the subject, whether you think it good business for a railroad to fix a through rate, we will say from Chicago to New York, on grain which just pays the expense of transporting it, leaving no profit?

Mr. WHITE. I do not think it is just to the locals to make them bear all the burdens of the fixed charges of a railroad. I think that a certain proportion of those charges ought to be borne by the through traffic. Before the building of the West Shore Railroad the New York Central Railroad paid its entire fixed charges out of its local traffic. The consequence was that all of the through traffic they had was just clean profit, and they could take freight down to almost nothing from Chicago to New York. I have known them to take freight for 7 cents a hundred pounds, because the running of that train is a very small matter, as the expense of running a train a thousand miles is simply the cost of the crew; the wear of the cars has been determined by railroad men; they have a kind of clearance between each other; where one railroad takes a car from another, a charge is made of three-fourths of 1 cent per mile for that car while it is absent from the owning road. That, you see, is a very small matter. For a thousand miles that is \$7.50. Then there are the wages of the crew, the fuel, &c. So that, after the fixed charges are paid by the local traffic, they can carry the through traffic for almost nothing; it is just so much profit. Take an ordinary train-load that would yield, even at a 10-cent rate, from Chicago to New York, say, \$1,000 freight; that would give a profit to the railroad of about \$750. I do not think it is right; it certainly militates against the local part of the road to have to bear the burden of the entire expense of the operation of the road.

Senator PLATT. That is what I was coming to. Admitting that under existing circumstances the railroads do reduce the rates of through freight to a point which is barely remunerative, if remunerative at all, what are they going to do under those circumstances if they cannot charge more from a point 100 miles this side of Chicago to New York than they charge from Chicago to New York? If they must prorate, or if they must not charge any more, they must make it up entirely from this end of the road, from the last half of the road, must they not?

Mr. WHITE. You mean where their immediate jurisdiction is here, like the New York Central, that runs entirely within this State from New York to Buffalo.

Senator PLATT. I am taking now the same kind of freight—we will say grain. You start with 12 cents a hundred pounds from Chicago. The road must charge no more at any point this side of Chicago. That, by implication, authorizes it to charge as much at every point this side of Chicago. Now, suppose a man is raising grain within 250 miles of New York, and the road, taking advantage of the implication, charges that man 10 cents a hundred pounds; it has got to live in some way.

Mr. WHITE. Yes; but what our farmers complain of mostly in this State is as they say, "We might possibly get along, and we might avail of our own market, the metropolis; the port of New York, if we could only get an equal rate with the farmers out West." They do not ask even a lower rate; they ask an equivalent rate. Although they have not got such fertile lands, and their labor is higher here, yet they say, "Only give us an equal chance." That is all the farmers of this State ask for to-day, an equal chance with the farmers a thousand miles West.

Senator PLATT. Let me put the question in this way: Suppose a farmer lives 250 miles from New York—that is a quarter of the distance to Chicago—and he has wheat land; grain is brought from Chicago to New York for 12 cents per hundred; why should he, being only a quarter of the distance from New York to Chicago, be compelled to pay more than 3 cents a hundred?

Mr. WHITE. On general principles he should not, but, as I have already explained, there is an additional cost per ton per mile in local traffic over through traffic.

Senator PLATT. A slight difference.

Mr. WHITE. We are not disposed to crowd the railroads. We know that it is a difficult question to solve. We want to be liberal with the railroads, and instead of telling them, "You must not charge but 3 cents to this man 250 miles off," we give them the privilege of charging as much as they do for the thousand miles; and that is what our farmers have been urging for a number of years, and the representatives of our State granges and the Farmers' Alliance have been in Washington time and again with me to urge that. That is all they have asked.

Senator PLATT. Do they not ask it as a partial relief from the wrong?

Mr. WHITE. Yes, sir. Of course they would like very much if they could get a proportionately lower rate, say 3 cents instead of 10; but we have had such a fight on our hands for the last ten years on this matter that we have got to go slow and not ask too much. We shall only be too glad if you gentlemen succeed in obtaining partial relief. We do not want to ask anything which apparently would seem unreasonable.

Senator PLATT. To come back to the original question which I had in my mind, is not the fault, after all, that the railroad companies, for various reasons, make too low a rate for freight on the long distance?

Mr. WHITE. Yes, it is.

Senator PLATT. And then recoup their lack of income by making it up on the short-distance freight? If we are going to regulate, ought we not to go so far as to see that the railroads do not charge unremunerative rates anywhere?

Mr. WHITE. I think so.

Senator HARRIS. Suppose you take this case as directly connected with the question Mr. Platt has just this moment propounded: Take Chicago as the starting point; suppose the competition of the waterways reduces freights to New York to a point that will barely pay a small profit over running expenses but will not contribute a fund to pay

fixed charges; then suppose the law prohibits charging more for the short than the long haul, and goes no farther than that, leaving it within the power and discretion of the railroad company to fix its tariffs for the short hauls; would it, in your opinion, be wise in a railroad company to take freights from Chicago at this low rate which will pay a very small profit over running expenses, and then fix its local rates so as to enable it to pay fixed charges and make a reasonable profit? Would such a policy, in your opinion, be safe to the railroads and reasonable to the general public?

Mr. WHITE. I think that the railroads could compete with the water ways on the through traffic at the local rate, that is, the short-haul rate. I have never seen the time when the water rates were so low as between Chicago and New York but that the railroads could carry a 500-mile haul for that amount of money. If they are permitted to charge for the 500-mile haul that amount which the competition of water-ways compels them to take for the thousand-mile haul, they will be able to make both ends meet. That is one of the reasons why I have advocated the permission to charge as much for a short haul as for a long haul. It is one of the elements that enter into the question, and I think that it is an eminently fair and proper one and will benefit the railroads.

Senator HARRIS. Would it be safe to require the railroad companies to charge less for the short haul than the long, fixed by any rate of percentages in proportion to distance?

Mr. WHITE. No, I do not think it would; I do not think that ought to be done. I do not think they ought to be compelled to do that, because there are so many elements which enter into the equities of the matter. It is a very intricate question. The science of railroading is progressing in this country at a very rapid rate. We are far ahead of Europe and the rest of the world in it; we are fast getting down the cost of operation to a very low figure. In fifteen years the cost of moving one ton one mile in this country was reduced to one-fifth of what it was fifteen years previously, and it is going on in the same ratio.

#### DEPARTMENT OF COMMERCE.

I do not think I had better take up any more time. If there are any questions gentlemen of the committee wish to ask, I am willing to answer them.

The CHAIRMAN. You have stated generally of what the legislation by Congress ought to be?

Mr. WHITE. Yes, sir.

The CHAIRMAN. Are there any other points you wish to present?

Mr. WHITE. As to the restriction of railroad building, those in existence with fictitious capital would like to have no more roads built, but I think there should be no restriction to building save that I have already indicated, viz: No mortgaging of the property until stock is all paid in. Roads projected in this way can be built for less money, and can be operated cheaper, having no funded debt upon which to pay interest at the start, and can serve the public at cheaper rates.

I am a strong advocate for the creation of a Department of this Government, to be called the Department of Commerce, which shall not only take up the internal commerce of this country, but its foreign commerce. I feel as if Congress had neglected this subject for the last twenty years. We find American shipping entirely declined, and here is our internal commerce in this shape, the people crying for reform, crying for remedies, and yet the question has not been coped with.



The British Government has seen the importance and the necessity of fostering its commerce. They have even subsidized mail lines to the utmost islands of the sea, in order to create communication with those countries, so that London is to-day the money center and the commercial center of the world, and we in this country pay a tax in the shape of a banker's commission on all the business we do to London. It ought not to be so. We ought to take care of our own commerce; we ought to be able to do our own banking; but we cannot do so, because we have not given the thought to our commercial questions that we ought to have done.

I am very glad, as I said in the beginning, that you gentlemen have taken the time to come here and hear the merchants as to some of the particular grievances which demand remedial legislation.

### J. S. SCHULTZ'S STATEMENT.

JACKSON S. SCHULTZ appeared and said:

Perhaps we ought not to be heard any further than we have been already, but as I happen to be one of the representatives of the Chamber of Commerce that inaugurated somewhat this movement, I beg that you will indulge me.

### THE HEPBURN REPORT.

You have seen the report, in five volumes, of the Hepburn committee, with which we had something to do, which we call the encyclopedia of this whole subject. I do not suppose you gentlemen will read it all through, but whenever you see any fact with regard to the situation of affairs, if you will turn to those volumes you will find it in the most authentic form.

The CHAIRMAN. Is everything there said reliable?

Mr. SCHULTZ. It is all under oath, and I suppose it is reliable.

Senator HARRIS. As to the situation at the time of that report?

Mr. SCHULTZ. Yes, sir; at that time. We are very much advanced now. If you will take the trouble to read the introduction to that report, you will find that that committee drew up a sort of indictment against the railroad system and against railroad management. The railroad gentlemen answered that indictment by a general denial and a specific denial. They denied that there were any special rates, that there was any rebate, under the sanction of their signature as gentlemen; but after the committee got the books of various companies they found that that was the rule, and the exception was where there was not a rebate. Now, I assume that in those volumes I have said, or that somebody has said for me, all that it is necessary for me to say, for I agree generally with the conclusions there reached. I am very glad to find that the railroads have come to themselves. I see that Mr. Blanchard yesterday conceded the necessity of a commission. That is a great deal for him to concede. I consider him the prodigal that has returned, and I am willing to kill the fatted calf and forgive him all that he has done heretofore. If you will read his testimony before the Hepburn committee, you will see that he was not of that opinion formerly. In regard to Mr. Depew, I am told that Mr. Depew is now quite in accord with your action, that he thinks a commission essential and that something must be done,

## A NATIONAL COMMISSION.

Now, assuming that a commission, or its equivalent in some legal form, some authority from the Government, is the proper thing——

The CHAIRMAN. Some Federal tribunal?

Mr. SCHULTZ. Yes, sir. Then the next question is, who shall appoint it, how shall it be constituted, what shall be the powers of the commission?

Of course every one of the questions you have suggested in your circular is a very interesting one and would lead to indefinite discussion. I have had as much experience in paying railroads for their services as most men, having been in business some fifty years, and I think I know something about the history of railroads, and how much wrong they do to merchants and manufacturers sometimes. There are just two or three points that I should like to call attention to, because I see that they are on your minds.

## THE LONG AND SHORT HAUL.

One is the question whether you shall pay more for the shorter distance. You ask whether, if that is established as a principle, the roads will charge always at all times the same for the short haul they will for the long.

The CHAIRMAN. We mean to raise that question.

Mr. SCHULTZ. That would be a very unreasonable thing for them to do, as it would at once raise such a hue and cry through the country that they could not stand it for a moment, and if a commission was existing, complaint would be made to that commission, and they would report against it, if that was the extent of their power. Let us take a case to illustrate, having Chicago as one point and New York as the other. All of us know the State of Pennsylvania and the State of New York have suffered immensely the last ten or fifteen years by reason of this system. I will take my own case. Although I am a leather man, I am something else. I have saw-mills manufacturing lumber in Pennsylvania. For years and years the Pennsylvania Central Railroad would take cargoes of pine lumber from Michigan through to Philadelphia at a less price than they would take my lumber, which was only 400 miles from Philadelphia. How could I compete when I was paying \$600 or \$700 stumpage for my lumber and the Michigan man paid only a dollar or a dollar and a half. Of course I lost two or three hundred thousand dollars in four or five years in the lumbering business. People could not understand it, but I could. I could see perfectly that the railroads had stepped in and done the business for me. They had taken the Michigan lumber to Philadelphia at a less price than they would take mine, though in one case the distance was a 1,000 miles and in my case only 400. Up to this very day, if you go to Chicago and contract for goods through to New York, you cannot get them to stop on the way at the same price. It occurs to me very frequently I wish to ship my raw material that I buy in Chicago and points west to New York. I say to the railroads, "I want you to stop 400 miles short of New York." I am answered, "No, we do not do that business; we take the goods through to New York at from 15 to 20 cents, as it may be, and we want the privilege of taking them back to the other point."

The CHAIRMAN. You were not asking for a reduction of the freight?

Mr. SCHULTZ. No, sir; merely asking them to stop at the point where I wanted the goods. They say, "No, we have contracted to take them through to New York and propose to do that." That question is too

evident; it needs no argument. I had a brother in the glass business at Port Jervis, and, although the Erie Railroad runs right through that town, in order to send his goods to the West he had to send them by canal to New York to start them west, and did that for years. It was perfectly notorious; they did not conceal anything. They said, "That is our policy; that is our local business and we mean to hold it." It was a point where he was on the bank of a canal and he could afford to pay some 10 or 15 cents per hundred to get his goods to New York, and then he would start his glass west. That is being repeated thousands of times every month. It is not a subject of any secrecy. It is the policy.

We say that is a wrong policy. We need not stop to discuss very nicely whether the railroads will charge the whole rate for a shorter distance if we adopt the rule that no more shall be charged for a shorter than a longer distance. We suffer now in this wise, and that is the point to which I wish mainly to call your attention: There are certain competitive points, as Elmira, Syracuse, Buffalo, Binghamton, and other points in the State, that I will take to illustrate; any man is a fool, under the present system, who does not locate at those points if he is going to manufacture in competition with his neighbors. The time was in the olden days, when we were greener than we are now, that we used to go on a local road and locate, for our own benefit and the benefit of that particular neighborhood. That is impossible now; we must go to the competing points. I have had factories within 10 miles of a competing point and had to pay 15 cents a hundred more for the short haul in former years. Of course, having that experience, I never would place a manufactory anywhere except at a competing point. What is the tendency? To build up large cities to the exclusion of small cities and the agricultural districts, that really want help. No man can afford to build a factory, or any establishment that requires a large number of men and a large amount of freight to haul, at any other than a competing point, under our present system. If you had the principle established that the railroads could not charge more for the lesser distance, all I could do would be to fall back on the nearest competing point and say, "You shall not charge any more for my 5 miles short of that than you do there." That is the advantage of it, and that is all I claim for it.

I do not suppose the railroads are going to act unreasonably if such an act should be passed, and that declaration should be made, "You shall not charge more for the lesser haul." What does that mean? What I have said, and nothing more. Where you are 5 or 10 miles short of a competing point they shall not charge any more for that local freight than they do at the competing point for through freight. That is all we ask.

#### INSTANCES OF DISCRIMINATION.

I could occupy your attention all day in telling you about extraordinary things that have been done and that you think are unreasonable. The gentleman who preceded me told you about how they combine. I happen to know this transaction on a certain road: They wanted all the ties there were on their own road, and I proposed to them, in competition, to send all my ties over their line; but by charging a double rate on ties they absolutely stopped me doing it, though I was ready to furnish the ties at their own price.

The CHAIRMAN. Cut from timber along the line of the road?

Mr. SCHULTZ. On their own line. They said, "We want that stopped; we want our own prices, and do not propose to be the means of

cutting our own throats and taking those ties away." Among merchants that would be considered illiberal, not generous; but that is railroad policy. I think most of the roads adopt the policy which serves them. During the whole war I paid the Pennsylvania Railroad as much as \$75 and \$80 a car for lumber to Philadelphia from my mills. It was all there was in the lumber, and that was the principle on which they decided—"What is it worth, giving you a new dollar for an old one, and give us the balance." They worked during those four years on that principle; that was the principle upon which they announced that they would establish their rates—"What is there in it?"

#### PUBLICITY OF RATES.

The CHAIRMAN. What is your idea of a correct principle by which the railroads should be governed in the way of charges?

Mr. SCHULTZ. I speak for myself. I am not in favor of the Government's absolutely establishing prices; I do not believe that would be wise; but I do believe in publicity. I do believe they should announce to the world what their rates are. In the first place, I think that all goods should be classified, not in four classes, as now, but in six or eight classes, perhaps; that the roads should charge specifically to each man alike; that all persons under like circumstances should be charged the same price, and that the price should be public.

I will take my illustration from passenger rates. They are uniform. No matter whether your hair is white, black, or gray, whether you are of this religion or that religion, whether you are a Democrat or a Republican, all go at the same price; you have the schedule and know what the price is. If the railroad should undertake to discriminate in favor of white-haired people or red-haired people, there would be a sensation; but they have not done that. You may remember that they tried it in Philadelphia. There was competition in Philadelphia, and they undertook to charge local passengers a higher price; but the passengers going to Philadelphia met it by jumping off at the local points; and you may remember that the competition for passengers was so great that they had a rebate. A man taking a ticket through to Chicago, for instance, paid his full fare and got the rebate at the end of the line. He could not sell his ticket, but he jumped off. With these exceptions the charge for passengers has always been uniform, and, so far as I know, satisfactory; at least there has been no general complaint; and the rate is published; everybody knows what it is; everybody is served alike.

Senator GORMAN. Is there not a discrimination in passenger business where a man travels regularly every day, as over the ordinary passenger, by the commutation tickets by the month?

Mr. SCHULTZ. There is this to be said about that: The long haul for the man is the same as the long haul for the freight. If he is going through to Chicago, they can afford to take him for two cents a mile; but if he is going only 40 miles, and going every day, I think the frequency of the trip would answer for the long haul. I think, therefore, that the plan of charging 2 cents a mile on the thousand-mile ticket that everybody carries in his pocket is about the best thing that has been done yet. Most of the roads now issue thousand-mile tickets. A man puts such a ticket in his pocket, and, whether he rides 2 miles or 50 miles, the necessary amount is cut off. The frequency of the trips near the cities, every day, morning and night, makes up for the long haul. I suppose you are aware how they do in England. Where they start, a town outside of London they allow the head of a family to go for one year or two

years without charge, expecting to make their money from the rest of the family. In that way they build up towns. I believe, however, there is nothing of that kind here except free passes.

The CHAIRMAN. The railways practice that principle somewhat in encouraging manufacturers to start new mills along the line of the road, do they not?

Mr. SCHULTZ. I want to notice that. Mr. Blanchard told you that it had been his custom in managing the Erie road to give men who were on the line certain advantages in getting their bricks and other materials. That is true, and that is what I complain of; they will take you by the hand the first six months or a year and carry your freight for very low prices, until you have built up your establishment, when they say, "Now take care of yourselves; we have got you here and now you must pay us at full local rates for the rest of your time." That is the fact. It is true most of the roads do encourage the building up of factories on local lines; but as soon they are fastened, new engineers come in, new employes, new superintendents, new presidents, purer and better men, and they cannot give you any special advantages, they are doing business now for all alike, and the consequence is that you have to pay local rates. I have a case of that kind in mind, in building up a certain town in Pennsylvania. The superintendent told me, "You keep all your bills; pay the local rates, and at the end of the time I will see that you get a rebate." I sent in my bills at the end of the time, but this superintendent had gone to another railroad, and the officers then in charge would not recognize his conversation with me, and so I lost \$3,000 or \$4,000.

The CHAIRMAN. On what road was this?

Mr. SCHULTZ. The Pennsylvania Central.

The CHAIRMAN. Do you know whether they were in the habit of paying rebates on that road?

Mr. SCHULTZ. Yes, sir; they paid them to me. Perhaps I am killing myself dead by saying so. There are a great many men doing business who dare not let their neighbor know what they are doing. I tell you they are paying rebates on all the lines. It is customary on all the lines. With all this pooling, I say there is a constant undercutting and underbidding, and you cannot tell whether your neighbor is paying for transporting his goods the same terms that you are or not.

Senator HARRIS. Do you know whether the railroad companies are paying rebates down to this time or not?

Mr. SCHULTZ. To to-day do you mean?

Senator HARRIS. Within the last week or month or two.

Mr. SCHULTZ. I would not like to answer that question. Sometimes they settle every three months and sometimes every six months, and I do not know that settlement day has come yet. I have nothing to complain of the Pennsylvania Central; they have many roads and they say they treat me as well as they do anybody else. They treated me very badly many years ago, and I lost a great deal of money by their operations. Still, individual wrongs have nothing to do with the case. The question is whether the system as a system is right, is that kind of a system that we can as a country justify and stand by. I say it is not.

#### A NATIONAL COMMISSION.

Senator MILLER. What is the remedy?

Mr. SCHULTZ. I say the remedy is a commission; I go so far as to say

that if the commission had not any more power than our State commission, and that is to report and keep the public advised on what is being done, had not the right to send for persons and papers and examine the books, so far as I am personally concerned I am willing to limit the powers in the first instance to the commonest powers and duties.

The CHAIRMAN. But you do not think it would be dangerous to give them more power.

Mr. SCHULTZ. I should hesitate to give a commission the absolute power to establish rates. Let me call your attention to one condition of things. Here are certain local roads struggling all the time to maintain an existence and pay dividends. They are not connected with the trunk lines, but are entirely local roads. The commission, unless they are better men than usually get in public life and on commissions, might be influenced improperly and discourage the local roads and break them down. Many of us are very deeply interested in those roads—not personally I mean, but interested in their success, because we own property upon them. We are willing to pay them more than three-fourths of a cent a ton, or a cent, or 2 cents.

The CHAIRMAN. You are willing to pay them what is necessary to keep them going?

Mr. SCHULTZ. I want to say right here that the interest of merchants and manufacturers is to have the railroads responsible corporations. I want these railroads to get dividends for their stockholders. I do not think the merchants and manufacturers have ever asked them for extremely low rates. What we want is uniform rates given us all alike. Give us fair rates and we are satisfied.

Senator MILLER. How do you think the publication of the rates would cure the evil?

Mr. SCHULTZ. I believe it would go a great way toward it. You know what has been the short history of our own State commission. I think the effect of it has been very good. I think it has brought about a very good state of feeling. I believe a United States commission with the powers of the State commission would go a very great way towards correcting the evils; but if they found that those evils were not corrected by such limited powers, how easy it would be to add from year to year to the powers. I think, speaking for myself only, I should hesitate to give any commission the absolute power to establish rates and control railroads. I am not prepared for that yet. I do not think it is necessary.

Senator MILLER. Mr. Blanchard yesterday said substantially that the investigation of the Hepburn committee and the appointment of the New York State commission had corrected nearly all the evils in this State of which there was great complaint—the unjust charge, the discriminations, and the refusal to stop freight from Chicago to New York at any point at the same rate that it was brought to New York. I think he said substantially that these things were no longer done in this State.

Mr. SCHULTZ. I think they are much modified.

Senator MILLER. For instance, he said they now stopped freight at Poughkeepsie, or Hudson, or Utica, or Syracuse, and made no greater charge than they would for bringing it through to New York.

Mr. SCHULTZ. I think that is probably true of that line, but I would not like to say that it is true of all the other lines.

Senator MILLER. Then you think the trouble is not all cured as yet?

## SPECIAL FREIGHT LINES.

Mr. SCHULTZ. It is not. The special freight lines, such as the Empire and others, step in and do a great deal of the dirty work that the trunk companies themselves do not do.

The CHAIRMAN. Are those special lines responsible to anybody?

Mr. SCHULTZ. I do a great deal of business with them, and I do not care to say more than that they are very nice fellows, and they often answer a very good purpose; but I do think it is not very creditable to the railroad companies that they are required to have these by-plays, these side-switches, as I call them, all the time, in the form of companies, doing the business of the railroad companies.

Senator MILLER. Is it or not a convenience to the great shipping community of New York to have fast through freight lines which run from here to San Francisco, or to Minneapolis, or Saint Louis, making one continuous line over different roads, with bills of lading through, so that the Blue Line or the Empire Line, taking your goods through, is responsible to you? You do not look to the railroads if there is any damage or loss of freight, but you go directly to the line which takes it, and it is responsible to you.

Mr. SCHULTZ. That is true.

Senator MILLER. Is or is not that a great convenience to the public?

Mr. SCHULTZ. It is a convenience for the public to avail themselves of. The oyster trade is very much inconvenienced by a through daily oyster line from Maryland to Chicago, going at lightning speed, day and night, not stopping anywhere.

The CHAIRMAN. Take one of the through lines, the White Line, the Blue Line, or whatever it may be called; suppose you make a shipment by it to California, and your shipment is lost, or delayed, or destroyed. To whom do you go for settlement?

Mr. SCHULTZ. They have a freight agency here, a freight office.

The CHAIRMAN. Do you know anything about the organization that is behind the freight agent?

Mr. SCHULTZ. For forty-five years I have shipped over these lines and I have never had a claim of as much as \$10 for breakage. My business is not in articles that break. I have never had any breakage of any account, and never made any claims. I am told that they respond very promptly to any loss that occurs. Of course I only know what the public knows, that these companies are made up of officers in the respective railroad companies, and substantially they are one.

The CHAIRMAN. Really each of these companies is a railroad organization?

Mr. SCHULTZ. It is a wheel within a wheel.

Senator MILLER. Is it not a pool for a certain set of roads connecting with each other?

Mr. SCHULTZ. Yes.

Senator GORMAN. One of the great trunk lines, the Baltimore and Ohio, has absolutely abolished all intermediary companies.

Mr. SCHULTZ. So did the Pennsylvania Company for a month or two. The Baltimore and Ohio may have done it. The Pennsylvania claimed to do it. When their stockholders came together in Philadelphia they found a state of things which alarmed them, and they insisted on the discontinuance of the Empire Line, and they did discontinue it practically for a short time, but it is in full vogue now.

Senator GORMAN. Do you know how expedition and convenience to the public compare on the road that has no such lines?

Mr. SCHULTZ. I do not see that there is any facility in sending forward freight by these lines more than there might be on the railroads direct.

#### UNIT OF TRANSPORTATION.

I wish to say a word on the unit question. I happen to know the process by which cars are delivered, and I say that the car is the unit; and for this reason: Through lines that Mr. White spoke of do not run through on a train, but they break off at the end of a division the cars they want to deliver; they do not stop at every station, but next morning or afternoon the local freight train passes along and takes these cars that are dropped and lets them off at the station. That is the practical way it is done, and there is no difficulty or expense about it. Next day they drop along and take that car away again. It is far better for them than to run cars into a general depot, where they are crowded and are liable to be burned up, and have a great many risks and difficulties they do not have at the local stations.

Then, I want to call your attention to another thing. In almost all these cases the parties load and unload the cars themselves; the railroad companies do not do it as a general thing.

The CHAIRMAN. In the case of lumber it is always done by the owner or agent?

Mr. SCHULTZ. Yes, always; and so grain and other kinds of merchandise are loaded by the merchants themselves. I do not consider that it is at all appropriate to say that all the railroads have private charges. For instance, if your freight is taken to a second-class depot you have to pay 10 or 20 cents for every little package you get, to pay the station agent. I consider that beneath the dignity of a railroad. Unless the place gets large enough to be first class, there is this sixpenny job of taking 18 cents or 20 cents for every package to pay the station agent. That is not universal, and it ought to be abolished. The railroads that undertake to do business ought to get out of that thing. It leads to a great deal of wrong and extortion and bad feeling that ought not to exist. After the station gets large enough to pay a station man and one laborer or two laborers, then they excuse the shipper from paying the charge; but that is the general practice through the country, as far as I know.

#### DIVERSION OF FREIGHT.

Senator MILLER. In your business have you met with the difficulties complained of as to the diversion of freight?

Mr. SCHULTZ. No, sir; I have never had anything like that. I understand there was complaint on that point and the railroads have yielded the point.

The CHAIRMAN. And send a man's freight as he desires it?

Mr. SCHULTZ. Yes, and by the line he desires to ship on. The railroads have given up that point, I understand.

#### RESPONSIBLE PROSECUTOR NECESSARY.

You have had Simon Sterne here on the question of the liability of the common carrier, and also the remedy that the commission should seek as against the railroads. If they do this wrong who shall prosecute? If you leave it to the shippers or the producers of freight to prosecute,



there will be no prosecutions. Somebody must be made responsible for the prosecution of every claim that comes before the commission. If you do not do that it will end in no enforcement of the law. I am not lawyer enough to say just how that should be met, but there should be power in the commission, if there is to be a commission, to institute prosecutions wherever the law is violated. If a man has a claim of \$2 he is not going to employ a lawyer and pay him \$25 in order to get \$5. He will say, "Let it go," and the effect will be to let the law go into contempt or disuse.

### A. B. MILLER'S STATEMENT.

ABRAHAM B. MILLER (representing the New York Board of Trade and Transportation) appeared.

The CHAIRMAN. What is the particular line of business you represent?

Mr. MILLER. I am proprietor of a United States bonded warehouse.

### A NATIONAL COMMISSION.

I propose to answer the last question in your circular first, for the reason that it will make, perhaps, more clear that which I may say in reference to the other questions. The inquiry is, "In what manner can legislation for the regulation of inter-State commerce be best enforced? Should a commission or other special tribunal be established to carry out the provisions of any law Congress may enact?" The experience of most of our States has been that a commission appointed under the State for the purpose of examining into the question of railway transportation has resulted in great benefit, in this State particularly. The abuses, the admitted, the proved abuses, by railway officials, under the Hepburn investigating committee, have nearly all, if not all, been remedied, as far as I know. Discriminations and abuses of various kinds no longer exist, or, if they do, to an extent that they have no notoriety. In view of that fact, I am strongly inclined to the view that the initial step towards the correction of abuses and the proper regulation of railway affairs in an inter-State view is through the appointment of a commission of the highest possible order, with adequate or large compensation, in order that the services of men of the most eminent ability may be retained for that purpose.

That point is often brought up in Congress and in our State legislatures; and by cheese-paring legislators, who have not a broad scope of the question, it is said that large salaries are not to the interest of the people. As a rule they may not be; but when talent of a high order is required, then it becomes necessary that men should receive a compensation that will secure to us that talent.

In addition to that, a compensation that is liberal is an inducement for persons to avoid the temptations that are incident to inadequate compensation.

I also believe and concur in the sentiments expressed by Mr. Simon Sterne, that the commissioners should be clothed with judicial powers. If it is within the scope of the fundamental law of the United States, and of the States individually, to appoint or to elect men as judges of their fellow men, and of their acts, and of the law, then it is entirely within the limitations of the Government on this great question to appoint men with judicial powers, subject, of course, to appeal to the

United States courts. I say that because we always presume that the Government of the United States will discharge its full duty by the appointment of capable and honest men. You gentlemen, as Senators, are elected as conservators of the public interests, and it is to be presumed that you act with a strict and due regard to the best interests of the public. If the public fail to elect men who will discharge their duties in that way, the fault is with themselves. Power must be reposed somewhere. If this commission is clothed with judicial powers, a large majority of the cases intelligently passed upon by the commission will not be appealed. A very small percentage of the cases that are tried in our civil and even in our criminal courts, of the whole number, are appealed. In that way an abuse is corrected at once. The commission having judicial power until their ruling is set aside, it must have the authority of law.

That answers the first question, as to "the best method of preventing the practice of extortion and unjust discrimination by corporations engaged in inter-State commerce."

#### REASONABLENESS OF RATES.

The second question is, "The reasonableness of the rates now charged by such corporations for local and through traffic." I do not propose to expend any time upon this question, as it is a matter to be regulated hereafter and by the commission. I believe, as a rule, the rates charged over the principal trunk lines are less than remunerative now; at least there is no general complaint on the part of the public.

#### PUBLICITY OF RATES AND CHANGES.

Third, "Whether publicity of rates should be required by law, whether changes of rates without public notice should be prohibited, and the best method of securing uniformity and stability of rates."

That I will answer affirmatively. Rates should be public, and no change should be permitted without a reasonable length of time's notice. The reasonableness of that proposition must be apparent to every intelligent person. All persons should have the means of protecting themselves, in the purchase and sale of goods, from any variableness in the rates of transportation, and if a reasonable notice is given all persons are protected in the case of a change of rates.

#### MAXIMUM AND MINIMUM RATES.

The fourth question is, "The advisability of establishing a system of maximum and minimum rates for the transportation of inter-State commerce." I think it is entirely impossible to be done with a consistent regard to the interests of all parties concerned. I do not believe that any cast-iron regulations or laws can be made in regard to this complex and vexed question. It is probably the most intricate and certainly the most important question that is now before the consideration, not only of this country, but of all countries where transportation is as important a factor as it is here. There are ever-varying conditions of labor, of material, good crops, poor crops, &c., that render it utterly impossible that maximum or minimum rates should be established by law and be just.

Fifth, "The elements of cost, the conditions of business, and the other factors that should be considered in fixing the tariffs on inter-State

traffic." This is a question that is answered somewhat by the preceding replies. It embraces matters that must be regulated by those who administer the affairs of the railways, subject to the supervision and approval of a board of railroad commissioners.

#### REBATES AND DRAWBACKS.

Sixth, "Should any system of rebates and drawbacks be allowed? If so, should such transactions be regulated by law and be subject to official inspection or approval? Or should they be entirely prohibited?" They should be entirely prohibited. To my mind there is no question about that.

#### DISCRIMINATIONS IN RATES.

Now comes the question of what might be termed discrimination, but which of itself would be just. For instance, on the line of a railroad there may be some manufacturing establishment, and in order to compete with other establishments at competing points having the advantage of lower freights, and to be able to sell goods of similar character at equally low prices, in the benefits of which the general public become participants. Therefore it is nothing in favor of the manufacturer, to the injury of the public, that crude materials for such purposes should be carried at lower rates than it might be for ordinary consumers. I think that is entirely just, but such discrimination must apply to all who are engaged in the same business. That I think would be for the benefit of the general public.

#### POOLING ARRANGEMENTS.

Seventh, "Should pooling contracts and agreements between railroads doing an inter-State business be permitted, or should they be entirely prohibited by law? If they should be regulated by law, would it be sufficient to require the terms of such agreements to be made public and subject to official approval?"

That is rather an intricate problem. There are reasons why it might be of benefit and reasons that are urged against it, but it seems to me that no reasonable objection can be urged against the pooling of interests on parallel roads, provided always their rates were reasonable and maintained with a due regard to the public interest. I think that question might be left to the determination of the commission. Railroads are public and private in their character alike, that is, *quasi* public corporations, and there is a constant striving for the promotion of the private side of the interest to the injury of the public. If arrangements should be made whereby violent fluctuations in rates, which are injurious to the general community, could be avoided, as well as attempts to make private rates, by reason of a judicious system of pooling, under the railroad commissioners, it seems to me it might be allowed.

#### SELECTION OF LINES BY SHIPPERS.

Next, "Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?"

In my opinion there should be no question on this subject, more than there would be in regard to my right to select the line over which I would personally travel from here to Chicago, or any other point. If I

desire my freight to go by the Erie Canal, I do not propose to have it go by the Delaware River and other water-routes that may be selected by other persons. A man should have the same rights in that respect in regard to his property, it seems to me, as in regard to his own person.

#### METHOD OF SECURING UNIFORM RATES.

Next, "By what method can a uniform system of rates for the transportation of passengers and freights by all the corporations engaged in inter-State commerce be best secured?"

That is a question or problem which should be left for solution to the railroad commission.

The CHAIRMAN. You seem to be pretty clear in your own judgment. Do you or not think that the evils which are complained of by the people against the railroads can be remedied by a statute law, without a commission or some special tribunal?

Mr. MILLER. I do not. At one time I had that opinion, but I am firmly persuaded that even were a bill framed and passed embodying substantially the features which were contained in the Reagan bill, it would even then become necessary for the proper enforcement of that law that a board of railroad commissioners should be appointed; but I do not think it possible to frame laws in regard to the subject in a general way that could be made operative and just, for the reason that the conditions are too varying. Some roads are almost entirely free from the embarrassments that often result to other, particularly interior, roads, from the failure, perhaps, of a local crop or crops on which they mainly depend. A great trunk line running from the seaboard to the interior might actually be benefited by such an occurrence. As to making up the local deficiencies, they might receive even a larger volume of business by having the whole of it come through their line; but the outlying local lines, that depend on local crops and their immediate environments for their business, would be, perhaps, totally ruined. Therefore, I think it utterly impossible to frame any law to govern the inter-State traffic of the United States that could be administered justly to the railroads or the public. There must be a flexibility, there must be a power vested in persons representing that interest and who can take all the circumstances into consideration as they arise and are constantly arising.

#### THE LONG AND SHORT HAUL.

Again, "Should corporations engaged in inter-State commerce be permitted to charge a lower proportionate rate for a long than for a short haul? Does the public interest require any legislation on that subject?"

They should be permitted so to do. Our country is one of vast extent. Our best soil, the most prolific, is remote from the seaboard, and in our competition with foreign nations to supply them with their deficiency, particularly in matters of food products, it is essential that we should be enabled to till that land and make it profitable by cheap transportation; and I cannot see that it works any injustice to people living along the seaboard that persons in the interior should receive a proportionately lower rate for transportation than those near here. The thing regulates itself. We may just as well reside in Illinois, or Wisconsin, or Dakota as reside here. In a politico-economic point of view no difference is recognizable; but there should be no discrimination as against individuals living a nearer distance. There should be nothing more charged for a shorter than for a longer haul, subject, perhaps, to

some modifications under circumstances that might be considered just and expedient by the railroad commissioners; but that for longer hauls a less proportionate rate should be charged I think is equitable and just, and they should clearly be permitted to do it.

The CHAIRMAN. You think it would not be unjust discrimination between localities?

Mr. MILLER. Not at all; but it is an unjust discrimination when a person residing near a terminus is obliged to pay more than one who lives more remote. That is obvious to every person. That should be prohibited.

#### CONCESSIONS TO LARGE SHIPPERS.

Again, "Should any concessions in rates be allowed to large shippers, except such as represent the actual difference in the expense of handling large shipments over small shipments, and should such concessions be made known to the public?"

There should be no concession whatever made to large shipments above the actual difference in the expense of handling a smaller quantity; and the reason for that is this: Corporations are public in their nature. They are clothed with the highest prerogative of the State, the right of eminent domain. They are created to perform a public function. Therefore no comparison can be made between a railroad corporation and any private individual. If it is for my interest to sell 5,000 barrels of sugar cheaper to a party than I would one, or ten, or twenty, or any fractional part thereof to another, that is my own private affair, and as long as I do not trench upon the public interests too largely I should not be interfered with. But if I was clothed with power by the Government to own all the sugar in the United States, then I should occupy, perhaps, the position of the railroads, and it would be entirely just for the Government to say to me, "As you are clothed with public power, your prices must be reasonable and all persons must be treated alike." In the matter of transportation any discrimination made by these corporations in favor of persons who do a large business is on the principle of making the rich richer and the poor poorer. That the railroads should be obliged to transport at the same rate when it costs more is not equitable, but that they should charge any more than the actual difference is inequitable. It was said in the letter which has been recited here from the New York Central and Erie roads, in reply to the Hepburn investigating committee, that "the railroads performed a function of the State," which they do, and therefore they are clothed with powers to do that as corporations which without them the State would do for itself. Now, would the State or the General Government undertake to discriminate as between citizens? Certainly not.

#### UNIFORM SYSTEM OF ACCOUNTS.

Again, "Should corporations engaged in inter-State commerce be required to adopt a uniform system of accounts?" They should. A proper system should be devised by the railroad commission and enforced by law.

#### ANNUAL REPORTS OF COMPANIES.

You ask, "Is it desirable that such corporations should be required to make annual reports to the Government? If so, what information as to their earnings, expenses, and operations should such reports contain?"

I think it is not only desirable but essential, and that those reports should be made to the commission, and the information should be complete as to their entire operations.

#### WATER-ROUTES.

You ask, "In making provision for securing cheap transportation is it or is it not important that the Government should develop and maintain a system of water routes?"

I think it of the first importance, for the reason that whatever may be done by the Government for the purpose of regulating inter-State commerce, and particularly railroad corporations, which are private in their character to a certain extent, the free water-ways of the country should be maintained, because there will always be a clashing of the public and private interests in the management of railroad corporations under any safeguards that may be established by the Government. It seems to be human nature, where there is a private and public interest conjoined, to endeavor to promote the private to the detriment of the public; but in the matter of the water transportation—the great rivers, the Great Lakes, and now the free canal of the State of New York, which latter is nothing more nor less than a continuation of the great natural ways—there is no private interest whatever; they are free to all. Therefore there can be no clashing of interests as far as they are concerned, and they act as great public regulators. Mr. Fink, who perhaps is the highest authority that could be brought before you as regards his knowledge of the intricate system and workings of railways, has testified that the Erie Canal, in connection with the Hudson River and Great Lakes, regulates the transportation charges from Canada to the Gulf, and it is literally true. He exemplified it by illustration, and no man knows that fact better than he. That of itself is sufficient to show the great importance of the water-routes, but the capabilities of the Erie Canal are not generally understood. We have had no improvements upon the Erie Canal, you may say, in a comparative way, since the day it was first constructed and thrown open to the public, in 1826. We have the same old-fashioned swing-gates, that have become obsolete almost everywhere else; but there they remain a hinderance and a bar to the navigation, and particularly when there is floating ice. Although efforts have been made for the last twenty-five years to overcome that difficulty and have a trial of improved methods made, singular to relate it has never been successful, and even the new lock that has been spoken of, the large lock that promises so much for the future of the canal by reason of its successful operation, it took years to get that through; but even with that we were unable to secure a system of lock-gates that would have enhanced the value of that lock 50 per cent. The Erie Canal, in my judgment, should be fostered and protected by the General Government. I am not in favor of the General Government assuming the control of it. I am, I may say, opposed to that; but I think, as it is thrown open free to the commerce of the United States, and as the bulk of the commerce that passes over that canal is the commerce of other States rather than our own, the Government of the United States should appropriate a reasonable sum of money for its improvement, to be expended under the supervision of Government engineers and of State authorities. The same liberal policy should be pursued by the Government in regard to the improvements of our harbors, lakes, and rivers and the construction of the Hennepin Canal. I look upon that projected canal, which can be constructed at a slight comparative cost, as being one of the most neces-

sary steps for the promotion and protection of inter-State commerce that could be undertaken by the General Government. If we can connect the great water transportation system of the Mississippi, extending through thousands and thousands of square miles of the most fertile country that exists on this continent, for a few million dollars, I think the cost is a matter that ought not to be considered, in view of its importance. All the commercial bodies of this country, pretty much, have favored that system. I have myself appeared before the Committee on Commerce, as a representative of the National Board of Trade and the New York Board of Trade and Transportation, which bodies passed favorably on that question unanimously. All our principal bodies here have passed on it favorably. I speak of that because it is a connecting link between the waters of the Mississippi, the Missouri, the Lower Mississippi, and all the tributaries, and the Atlantic seaboard. I look upon it as of the first importance.

I believe what I have said embodies answers to all your questions.

#### F. B. THURBER'S STATEMENT.

FRANCIS B. THURBER (of Thurber, Whyland & Co., wholesale grocers, of New York) appeared and said:

I would state that when I received the letter from you I communicated with two or three members of the board of trade and transportation here with the design of getting an expression of opinion from that organization as a body. We had one meeting of two joint committees of the board, but owing to my having to go out of town for several days we did not succeed in completing that arrangement; and it was understood when I left that if it was thought desirable, Mr. Sterne, Mr. Miller, and myself would appear separately and state our opinions as individuals, and later on if the board should take any formal action we might perhaps submit it to you in printed form.

The CHAIRMAN. I may say that Mr. Sterne and some others have represented that you were making an effort to formulate the views of your body, consisting, I understand, of some nine hundred members, and I rather expected it would come in to-day, although I had not heard any thing further about it.

Mr. THURBER. We have succeeded in having only one meeting. I have, however, some notes which I had made for submission to the board, and as the shortest way of getting at the matter perhaps I had better use those notes and take up your questions *seriatim*, and then you can ask such further questions as you think best.

Referring to your circular of April 10, I respectfully submit the following views bearing upon this subject, and as far as possible in the order of the subdivisions therein contained:

#### BEST METHOD OF PREVENTING EXTORTION, ETC.

1. As regards "the best method of preventing the practice of extortion and unjust discrimination by corporations engaged in interstate commerce."

We need first a specific prohibition of practices generally admitted to be wrong, together with an executive to see that the laws are executed. Laws without a police force, or a police force without laws, are equally useless.

## RATES LOWER THAN EVER BEFORE.

2. As to "the reasonableness of the rates now charged by such corporations for local and through traffic."

Rates as a whole on interstate traffic are now lower than ever before, and in some cases unreasonably low, but in certain sections, and on certain kinds of traffic, rates are still excessive and unjust discriminations pervade the entire system.

## WHAT IS A REASONABLE RATE.

In considering the subject "What is a reasonable rate" we are constantly brought face to face with perhaps the greatest difficulty and one of the greatest wrongs connected with the whole subject, viz, fictitious capitalization. Professional promoters have overloaded our railway system with watered stock, and have imposed upon the practical railway men of this country, who operate these great highways, the impossible task of earning dividends upon this mass of fictitious capital and at the same time satisfying the public. Having thus over-capitalized our transportation system they endeavored by combination to enforce rates which would yield dividends upon the entire mass of capital. This in turn has stimulated the building of parallel lines, which in many cases were not needed, and in times of commercial depression, like the present, their pools and combinations break down and they appeal to the National Government for legislation to enforce their agreements upon each other and enable them to tax the commerce of the country to sustain these fictitious values.

## EXCESSIVE CAPITALIZATION.

A good illustration of how excessive capitalization operates as a mortgage upon the industry of the country and as a machinery for concentrating wealth in few hands wherever the power exists to impose rates for transportation which will yield dividends on watered stock, is found in the following table, showing what the dividends have amounted to (with interest compounded annually) on the \$47,000,000 of watered stock put into the New York Central and Hudson River Railroad in 1867-68 by the Vanderbilt management:

*Watered stock issued in 1867 and 1868 by the N. Y. C. & H. R. R.—(\$47,000,000.)*

Dividend on this watered stock at 8 per cent.		3,760,000	1869
Interest on 1869 dividend at 7 per cent.	263,000; with 1870 div.	3,760,000	7,783,000 1870
Interest on 7,783,000 at 7 per cent.	544,000; with 1871 div.	3,760,000	12,087,000 1871
" 12,087,000 at 7 "	846,000 "	1872 "	3,760,000 16,693,000 1872
" 16,693,000 at 7 "	1,168,000 "	1873 "	3,760,000 21,621,000 1873
" 21,621,000 at 7 "	1,513,000 "	1874 "	3,760,000 26,894,000 1874
" 26,894,000 at 7 "	1,882,000 "	1875 "	3,760,000 32,536,000 1875
" 32,536,000 at 7 "	2,277,000 "	1876 "	3,760,000 38,573,000 1876
" 38,573,000 at 7 "	2,700,000 "	1877 "	3,760,000 45,033,000 1877
" 45,033,000 at 7 "	3,152,000 "	1878 "	3,760,000 51,945,000 1878
" 51,945,000 at 7 "	3,636,000 "	1879 "	3,760,000 59,341,000 1879
" 59,341,000 at 7 "	4,153,000 "	1880 "	3,760,000 67,254,000 1880
" 67,254,000 at 6 "	4,035,000 "	1881 "	3,760,000 75,049,000 1881
" 75,049,000 at 6 "	4,502,000 "	1882 "	3,760,000 83,311,000 1882
" 83,311,000 at 6 "	4,998,000 "	1883 "	3,760,000 92,070,000 1883
" 92,070,000 at 6 "	5,524,000 "	1884 "	*2,820,000 100,414,000 1884

\* In 1884 the rate of dividend was reduced to 6 per cent., which on the \$47,000,000 of water amounts to but \$2,820,000 instead of \$3,760,000, which is the amount at the rate of 8 per cent.



**VANDERBILT RICHER, THE PEOPLE POORER, FROM STOCK-WATERING.**

In other words, if the capital had been maintained at the amount then outstanding and the rates of transportation had been reduced to a point which would only have yielded the same dividends upon the capital then existing (which, by the way, had been previously largely watered), the public would have been about \$100,000,000 richer, and Mr. Vanderbilt and his associates \$100,000,000 poorer.

**THE WRONGFULNESS OF STOCK-WATERING.**

It was of course claimed that this watering of stock was but a capitalization of increased values, but if this railroad had been owned by the State no such proceeding would have taken place, and Mr. Vanderbilt's own definition of the relations which should exist between the State and railroads (hereafter quoted from his communication to the Hepburn committee) shows the wrongfulness of such capitalization.

**AN ILLUSTRATION OF A DIFFERENT POLICY.**

The Baltimore and Ohio Railroad furnishes a good illustration of a different policy. It has exacted enormous sums from the public in excess of liberal dividends and employed them in extending and improving its road, but it has not capitalized this increase of value and the estimated value of its surplus now exceeds \$40,000,000. In other words it has exacted from the public the capital necessary for an enormous extension of its lines, but it has had the decency not to capitalize this sum and make the people pay dividends upon their own capital thus exacted.

**THE SHEET-ANCHOR OF COMPETITION.**

Railroad men claim that rates bear no relation to capitalization. I admit that where they are governed by competition they do not, and this is why I so strenuously advocate holding fast to the sheet-anchor of competition, because without it the railroad companies would practically own the country. Indeed it would be better than ownership, for with the machinery of Government invoked to sustain rates which would pay dividends upon a fictitious capitalization they would be able to tax all the profit out of production and commerce without the trouble or responsibility of ownership.

**OVERCHARGING TO PAY DIVIDENDS ON WATERED STOCK.**

In view of this immense overcapitalization of our entire railroad system we should consider with great caution any proposition which would confer the power upon existing railroad corporations to enforce rates which would yield satisfactory dividends to them as it would necessarily impose corresponding burdens upon the industries of the country. Again, the cost of construction of railways has declined enormously in many respects, and it is hard to see why the owners of railroad property should be allowed to continue to make profits based upon the original cost of their property when owners of other property have

to base their charges upon present values. This is illustrated by the following letter which appeared in the New York Tribune of March 3, 1885:

#### RESTRICTION OF COMPETITION.

*To the Editor of the Tribune :*

SIR: I see that your columns are open to the "no competition" railroad people, and, thinking you might be able to assist me, I present my case.

I am the only retail dealer in drugs and medicines in this place, and have been in business for almost twenty years. I am a good citizen, keep sober, pay my taxes, and endeavor to support our little church in order that the cause of the Lord may spread and flourish. The stock of goods in my store has cost me about \$20,000, though I frankly admit it could to-day be replaced for less than \$10,000. A few days ago a stranger came to our little town and looked around a while and then went away. To-day he returned and I find he has bought a store and put in a stock of drugs, about \$10,000 worth, and it is as good as mine, which cost \$20,000, and openly announces that he will "run me out." Now, what I want you to do is this: Present a bill to the legislature and get them to restrict competition in regard to drug stores, and, please you, Mr. Editor, get the bill passed as soon as possible for the welfare of myself and family and of the little church depends upon it. I think the action of that opponent of mine is an outrage on vested rights. He doesn't pay as large a tax as I do; he has no family to support as I have, and, worst of all, he never goes to church.

JONATHAN WHIFFLETREE,  
*Deacon in the Church.*

PUMPKINVILLE, N. Y., Feb. 26, 1885.

This is, of course, a little out of the grave and dignified way in which a subject should be considered, but this pointed to one phase of the competition question.

#### EXPEDIENCY OF LEGALIZING POOLS.

If our railroad system had not been thus overcapitalized it might and probably would be expedient to legalize pooling contracts and establish a system of maximum and minimum rates, which would be fair alike to the public and to the railroads. No one can deny, or wishes to deny, the great benefits conferred upon the human race by the inventors who have given us these modern highways, but it is the *inventors*, and not the financial freebooters who have obtained control of them, and now use them as a machinery for taxation, that are entitled to our thanks. In sections where the law of competition does not work, and this is true of most local traffic, and of through traffic in large sections of our country, excessive and unequal charges have been arbitrarily levied and the carrier, always an important factor in commerce, has absorbed the profits alike of the producer, the shipper, and the consumer.

#### ENORMOUS ACCUMULATIONS OF WEALTH.

Never in the history of the world have we seen such enormous accumulations of wealth suddenly acquired by any class as we have seen in this country during the last quarter of a century through the carrier thus taxing all other classes in the community.

#### PERSONAL ILLUSTRATIONS.

Within 25 years the Vanderbilt estate has grown from \$5,000,000 to over \$200,000,000. Within the same time the Central Pacific quartet have, it is estimated, extorted from the public more than \$250,000,000. Twenty-five years ago Jay Gould was not rated even as a single millionaire; within two years he exhibited to an admiring group of Wall

street friends railroad securities, variously estimated, worth from \$50,000,000 to \$75,000,000, and it was announced that this was only a portion of his gains. The men connected with our transportation system who are rated at \$10,000,000 and upwards are too numerous to mention, and by far the greater portion of this has been accumulated within twenty years. Yet railroad men when confronted with these facts meet them with the assertion that rates are reasonable, that the transportation of this country is done cheaper than any other country in the world, and that a majority of all the railroads of the country are unremunerative to their owners. It is true that wherever water competition prevails rates are reasonable, and fortunately for the people of the United States a large portion of our country is thus favored.

#### CHEAPNESS OF TRANSPORTATION HERE.

The CHAIRMAN. What is the fact on that point? Is transportation cheaper in this country than anywhere else in the world?

Mr. THURBER. I think it is true, but there are reasons for it, and some of those I will state further on.

It is also true, where excessive rates have unduly stimulated the building of competing lines of railroad, that, for a time, excessive competition has resulted in unreasonably low rates, but this has usually been followed by combination with an advance in rates to the other extreme.

#### PUBLICITY OF RATES AND CHANGES.

This brings us to the consideration of question—

3. Whether publicity of rates should be required by law; whether changes of rates without public notice should be prohibited, and the best method of securing uniformity and stability of rates.

I am of the opinion that publicity of rates should in all cases be required by law; that changes should not be permitted without reasonable public notice, and that these requirements would be the best methods of securing uniformity if not stability of rates. Both of these provisions were prominent features in the Reagan bill, but were opposed by the railroads as impracticable, because it was alleged that they would give an undue advantage to Canadian lines; but like most of the railroad arguments, in dealing with the public, this was specious and misleading, for the reason that our railroads would still possess and exercise the same power over Canadian lines to prevent the cutting of rates which they now possess, namely, the fear of retaliation, which is constantly exercised by the railroad lines in forcing competitors to observe an agreed schedule.

Where one road cuts under an agreed schedule it is the custom of another road to at once reduce rates so low that the cutting road is forced, sooner or later, to restore and live up to the schedule of rates, and the American roads could hold this whip over their Canadian rivals as well after the passage of such a law as before, the only difference being that if five days' notice should be required of American roads before a change of rates that they would be at a disadvantage for that period only.

#### MAXIMUM AND MINIMUM RATES.

4. The advisability of establishing a system of maximum and minimum rates for the transportation of interstate commerce.

I do not think that this is advisable or practicable at present. The various States within their borders can regulate their local rates in this

manner with success, as has been shown by the experience of the State of Georgia. But for the present I do not think this necessary on interstate commerce. Our water lines, if properly sustained and developed, will do much to secure reasonable rates over a large extent of our territory, and if pooling combinations are prohibited there will be but little necessity for fixing a maximum, while in order to give railroads the remedy of retaliation mentioned in the previous section it would not be advisable to fix a minimum rate.

5. The elements of cost, the conditions of business and the other factors that should be considered in fixing the tariffs on interstate traffic.

This is answered by the discussion of the preceding section.

#### REBATES AND DRAWBACKS.

6. Should any system of rebates and drawbacks be allowed; if so, should such transactions be regulated by law and be subject to official inspection or approval, or should they be entirely prohibited?

I believe that they should be entirely prohibited. Publicity of rates would be of but little use if they could be nullified by secret agreements, and there would be no occasion for secret agreements if all railroads doing an interstate business were required to observe their public tariff of rates. We would leave railroads free to make any tariff they chose with the qualification that their rates should be reasonable and public, and for substantially a like service the same to all. In the event of an unreasonable rate being charged power should be lodged with a board of commissioners, or elsewhere, to upon proper application reduce said rate. Rebates are now the favorite form of discrimination, and should be entirely prohibited.

#### POOLING CONTRACTS.

7. Should pooling contracts and agreements between railroads doing an interstate business be permitted, or should they be entirely prohibited by law? If they should be regulated by law would it be sufficient to require the terms of such agreements to be made public and subject to official approval?

I believe that pooling contracts should be entirely prohibited, but railroads would naturally agree upon the public tariff between common points; these tariffs might be made subject to the approval of a board of commissioners, but should not be made legally binding because in that case the freedom to make lower rates, which is now a safeguard against extortion, would be abridged or abrogated. Railroad men now excuse pooling contracts by claiming that they prevent discrimination as between shippers, but this object would be reached by compelling railroads under adequate penalties to observe their public rates; this was well provided for in the Reagan bill.

#### DIVISIONS OF FREIGHTS IMPROPER.

8. Should provision be made, by law, to secure to shippers the right to select the lines and parts of lines over which their shipments should be transported?

Unquestionably. This is one of the rights of the shipper which the carrier has arbitrarily overridden.

9. By what method can a uniform system of rates for the transportation of passengers and freights by all corporations engaged in interstate commerce be best secured?

By publicity of rates and holding all roads to a rigid observance of the same as hereinbefore advocates.

## LONG AND SHORT HAUL.

10. Should corporations engaged in interstate commerce be permitted to charge a lower proportionate rate for a long than for a short haul? Does the public interest require any legislation on that subject?

I think that railroads should be permitted to charge a lower proportionate rate for a long than for a short haul, but that this should not be carried so far as to charge more for a shorter than for a long distance in the same direction.

Railroad men plausibly argue that where water competition exists they should be permitted to do this; but as in other matters there must be some principle of action established, and the occasional hardships which would be experienced under this rule should not be permitted to justify the serious evils which have heretofore existed from this cause, as, for instance, where points in Utah and Nevada, 500 or 1,000 miles this side of San Francisco, were charged double the rates that were charged for hauling goods through to San Francisco. The theory upon which this was accomplished was they were charged the through rate to San Francisco and the local rate from San Francisco back to their destination, although in point of fact this work was not done, and there is no rule of law by which a common carrier can justly be permitted to do such things.

## CONCESSIONS TO LARGE SHIPPERS.

Should any concession in rates be allowed to large shippers except such as represent the actual expense in handling large shipments over small shipments, and should such concessions be made known to the public?

In the past it has been generally conceded that railroad companies ought to be allowed to charge as much more for the transportation of small shipments as it costs them more to transport such shipments compared with larger ones; but there is another view to this question which has great weight. A railroad is both a public highway and a common carrier, doing business by virtue of a public franchise, in granting which the vote of the small shipper was as potent as that of the large shipper, and therefore the right of a citizen on the highway comes in to limit the operation of the law of wholesale and retail which applies in private transactions. The railroads are performing a delegated function of the State, and in our opinion should be required to act towards shippers as the State would act. Upon this point the views of Mr. William H. Vanderbilt, of the New York Central, and Mr. Jewett, late president of the Erie road, as expressed in a letter to the Hepburn legislative committee, are important. They say:

## VIEWS OF MR. VANDERBILT AND MR. GOULD.

That it is the primary duty of the State to furnish "highways," whether they be the road, the canal, the turnpike, or the railroad, the State alone having the right of "eminent domain."

That this duty has been complied with by the State in most of these ways.

That, for prudential and other reasons, the State of New York preferred to engage the services and capital of her citizens to do what was her duty to do, granting them certain powers under certain limitations and restrictions, which are made part of the contract between these "citizens" and the State.

The State places such "citizens" in her place to perform her duties, and for this purpose clothes them with the imperial right of "eminent domain" so far as may be required to perform the duty devolving upon them.

Such "citizens" so placed have a right to the fullest protection of the State, and to be protected against any laws that the State would not pass if such property of "citizens" had been built by the State itself, and further, such "citizens" should be

protected against any legislation that would lessen the value of property so obtained by its "citizens" by reason of their contract with and their willingness to take the place of the State in the performance of one of its highest duties.

The railway company thus holds, in its relation to the State—

First. Its position as a substitute for the State under the powers and limitations of the law; and

Second. The right of pecuniary recompense and of ample protection of property.

The writers of the address look upon the railway company as for pecuniary profit only and ignore their position as created to perform the duty of the State, taking the risks of investments, on management, &c., upon themselves. The railway companies thus have a higher claim than the ordinary corporation can have upon the State.

The ordinary corporation is organized for the special pecuniary profit of its shareholders, the profit of the public being secondary. The railway corporation is organized primarily for the benefit of the people of the State, and the pecuniary consideration is secondary, but necessary to induce the citizens of the State to assume the performance of the duty of the State. This assertion is true, and is in the essence of the grant by the State of its powers.

I consider that very important as defining the relations of the State and the railroads, because it gives both sides of the question. Coming from that authority, it was very valuable.

The CHAIRMAN. You regard it as a correct view?

Mr. THURBER. It is, substantially.

Senator PLATT. It omits the obligation of dealing fairly with the people, as the State is obliged to deal fairly with the people.

Mr. THURBER. Yes, sir, that is true; and I will touch upon that later on.

The same gentlemen in their testimony before the Hepburn committee advocated that a car-load should be the unit beyond which no lower rate should be made, and Mr. Albert Fink testified before the same committee as follows:

#### MR. FINK'S VIEWS.

It is sometimes urged that railroad companies should grant lower rates on large shipments, upon the same principle that wholesale merchants can sell cheaper than retail merchants. The same reasons why wholesale merchants can sell cheaper than retail merchants do not apply to the case of large or small shipments on railroads, when we have reference merely to car-load shipments. The cost of retailing merchandise is much greater than the cost of selling it in large quantities. It requires a different kind of an establishment, larger warehouses in comparison with the goods stored, more clerks, longer time to sell the same quantity of goods, slower returns, &c.

In the case of shipments on railroads in less than car-loads, the cost will be greater than full car-load shipments—not always, but as a rule. Cars cannot be fully loaded when a number of small shipments are made, which have to be unloaded at different stations. After unloading one shipment at an intermediate station the train has to proceed with the smaller load, but without reducing expenses in proportion. It is, therefore, proper that the shipper should pay the additional cost. There is good ground for discriminating between small and large shipments. But when shipments are made by the car-load, where it is merely a question of one or more car-loads, no additional cost is incurred by the railroad company.

Whether these shipments are made by one or by many shippers it costs the same. It costs no more to ship car-loads of freight between two stations of a railroad whether they belong to one shipper or to ten shippers, whether one man ships ten car-loads or ten men ship one car-load each. There is no ground for discriminating in favor of the large shipper. Any discrimination made in his favor is entirely arbitrary.

There is no rule, no principle on which it can be established or defended. All arbitrary discrimination works injustice to others.

Take a flour mill producing ten car-loads of flour a day, and alongside of it at the same station a mill producing only a car-load. The railroad company decides that it gives to the larger mill a rebate of 25 cents a barrel. This of itself constitutes a fair profit.

The large mill can undersell the small mill in any market in which they are competitors. It can sell at cost and make 25 cents per barrel profit, when the other mill, if it wants to sell at all, must sell without any profit at all. This leads to breaking

up of the small establishment, and the railroad company is the instrument through which it is accomplished.

A common carrier has no right to make itself a party to such transactions. Moreover, it is not to its advantage to do so. This policy of discrimination prevents the employment of small capital, and prevents the building up by slow degrees the industries of the country. Only large capitalists can afford to carry on business, and they are not always to be found. From small beginnings, if properly fostered, large enterprises are built up. The larger manufacturers enjoy already sufficient advantages over the smaller. Being able to produce cheaper, they do not require the aid of railroad companies to still farther discriminate in their favor.

Also at page 152 of the Exhibits Mr. Fink says :

The practice of making special contracts with some shippers—the larger shippers generally—at lower than regular rates, and charging the regular rates to all other shippers, constitutes one of the most unjust discriminations. It is practiced to a great extent. The rates of transportation between two points should be the same to all shippers.

The payment of rebates, drawbacks, by which means their unjust discriminations are practiced, should be forbidden.

#### UNIT OF TRANSPORTATION.

It will be noticed that Mr. Fink advocates a distinction between car-load rates and those of smaller quantities, but in practice the west-bound pool for several years, while able to enforce its mandates, made no distinction between car-load shipments and smaller quantities. It is evident that it costs but little if any more for a car-load of freight composed of a dozen different shipments going to the same place than if composed of but one shipment, and the public certainly under such circumstances ought to have the benefit of the aggregate thus shipped. While it may seem just that parts of car-loads should pay more than full car-loads, yet the Government in transporting the mails carries a single letter for one citizen at the same rate it charges for carrying one thousand letters for another citizen. It is probable that if the State was the carrier, as suggested by Messrs. Vanderbilt and Jewett, the same rule would be observed, and the practice of the west-bound pool shows that when it suits their convenience railroads can and do operate upon this principle. It is the departure from this principle which has built up most of the commercial monopolies in this country.

#### STANDARD OIL COMPANY.

The Standard Oil Company is a case in point, of which the Hepburn committee say in their report, page 42 :

Your committee were unable to ascertain the exact relations of these different organizations, owing to the refusal of several members of the Standard Oil Company subpoenaed as witnesses to obey the subpoena, and the refusal of those who did attend to answer our questions, but succeeded in establishing the fact that 90 or 95 per cent. of all the refineries of the country act in "harmony" with the Standard Oil Company, and that they ship 95 per cent. of all the oil of the country ; and, of course, the three and a half millions capital of the Standard is but an insignificant portion of the aggregate capital of this mysterious organization, whose business and transactions are of such a character that its members declined giving a history or description of it, lest their testimony be used to convict them of a crime. (See testimony of Messrs. Bostwick, Archbold, Rogers, &c.)

#### UNIFORM RATES WITHOUT REGARD TO QUANTITY.

The great coal companies furnish similar illustrations. Our forefathers abolished the laws of primogeniture and entail in order to prevent the evil of large accumulations of wealth in few hands. As

railroads have been operated in the past they have been the most potent force to nullify this principle which we believe to be a beneficial one, and which should be followed as far as possible. There certainly should be no concessions allowed to large shippers except such as represent the actual difference in expense in handling large shipments. Certainly no higher limit should be established than the unit of a car-load, as mentioned by Mr. Fink, and I believe that the welfare both of the public and the railroads would be ultimately subserved if rates were made uniform without regard to quantity, but if any concessions are made there should be none beyond the car-load unit, and all such concessions should be as public as the rates themselves.

#### UNIFORM SYSTEM OF ACCOUNTS.

12. Should corporations engaged in interstate commerce be required to adopt a uniform system of accounts?

Within certain limits I believe they should, but that these limits should be prescribed by the commission hereinafter mentioned, and the same answer applies to question 13 requiring annual reports to the Government which should undoubtedly be required.

#### WATER ROUTES.

14. In making provisions for securing cheap transportation is it or is it not important that the Government should develop and maintain a system of water routes?

It is of the greatest importance, and this is perhaps most forcibly illustrated by the following quotation from the report of the Hepburn committee (page 39).

New York possesses the key to the situation in the Erie Canal. While the committee made no attempt to investigate the relation of the railroads to the canal, and sought to lessen their labors by avoiding this question, the canal, like Banquo's ghost, would not down, we were compelled to meet it at every point and turn of the investigation. The cost of water transportation from Chicago to New York determines the rate of rail transportation, and the rate of rail transportation from Chicago to New York is the base line upon which railroad rates are determined and fixed throughout the country. The rates, by agreement of the principal railroads of the country, from all points in the west to the sea-board, are made a certain percentage of the Chicago rate. (Testimony, pp. 3001-2-3-4.) Thus Cincinnati is 87 per cent. of the Chicago rate; Saint Louis, 116 per cent.; Kansas City, 146 per cent.; Louisville, 96 per cent.; Cleveland, 73½ per cent., &c. There remains for the railroads to do this additional act of justice and see that the rates from points in the State of New York to the city of New York are made a proper percentage of the Chicago.

Mr. Blanchard, vice-president of the Erie Railroad (testimony, p. 2840), says:

"The State holds within its grasp the great controller of the freight rate within its borders, to wit, the canal; there is not a town that is not affected more or less within this whole State, from the extreme northeast to the extreme southwest corner of it, by the canal policy and rates of this State."

Mr. Fink, a recognized authority on railroad matters, testifies (testimony, p. 530) that whenever a reduction is made in the rail rate from Chicago to New York, occasioned by lake and canal competition, that that reduction extends to Louisville, Nashville, and Savannah.

"It extends to every point of the country I might say; to-day, when they charge 10 cents or 12 cents a hundred from Chicago to New York, the steamship lines from here to Savannah take up that freight and carry it for 15 cents from here to Savannah, making a rate from Chicago to Savannah of 25 cents; the regular rate from Chicago to Savannah by railroads may be at the time 50, 60, 70, or 80 cents; they have to come down and conform to the water rate; the rate in Savannah determines again the rate in Atlanta; Atlanta is perhaps the most interior of all towns in the country, and generally gets the highest rates on that account; they carry their freight for nothing, from Chicago to New York almost, and then from here by water to Savannah, and then they carry the short distance from Savannah up to Atlanta themselves—that is 200 miles—and the other rail lines that work from Chicago to



Nashville, Louisville, Chattanooga, and Atlanta, have simply to conform to the rates that the steamship lines and the rail lines from Chicago and New York make; thus the lake navigation and canal navigation regulate the rates of the whole country, you may say, from Canada down to the Gulf."

Mr. Vanderbilt in his testimony attached equal importance to the canal and regarded it as an important factor in the commerce of the State and country.

The maintenance of our trunk canals should engage the earnest solicitude of the State. Nothing could be more prejudicial to the interests of the city of New York, or the State as a whole, than to permit their efficiency to be impaired or their usefulness compromised.

That was the testimony before the Hepburn committee, given by perhaps as good an authority as there is in the country; and in the face of that, owing to certain railroad influences, a hostile commissioner of public works (having the charge of the canal) was put in, and the canal is literally being starved to death.

The CHAIRMAN. There are no tolls now?

Mr. THURBER. No tolls. The canals were made free of tolls, but in the maintenance such a niggardly policy has been pursued that there has been no enlargement of the canals.

There has been no enlargement of locks, except in the case of an experimental lock which we succeeded in getting a bill for through the legislature a year ago this winter just past, to try the experiment by enlarging one lock. It has just been completed, and works admirably and locks two boats at once instead of one.

Senator GORMAN. By doubling the length?

Mr. THURBER. Doubling the length; yes, sir.

It adds immensely to the capacity of the canal. No one knows that better than yourself in your experience with the Chesapeake and Ohio. Canals should be modernized. For twenty-five or thirty years they have remained just as they were. During that time rail transportation has improved wonderfully. However, I am anticipating what I shall come to hereafter in the regular course of my remarks.

The water lines are, I may say, the salvation of this country, and should be developed and extended in every possible way. While enormous improvements have been made in railroad transportation during the past twenty years, little or no improvements have been made in our system of American waterways. Steel rails, more powerful locomotives, improved freight cars which will carry two tons of paying freight for each ton of dead weight in rolling stock, as against the old rule of ton for ton, improved methods of handling freight, improved signals and labor-saving appliances in every department of railroad operation have enormously reduced the cost of railroad transportation during the past two decades, while little or nothing has been done to improve our system of waterways. This is doubtless largely to be attributed to the adverse influence of railroad corporations in legislation.

In Pennsylvania and other States they have bought up the canals and abolished them. Whenever a river and harbor bill is pending in Congress the railroad representatives will vote millions for improvements which do not materially affect them, but when it comes to an item like the Hennepin Canal, which promises to be of value in extending our system of waterways, the railroad representatives, whether Democrats or Republicans, are found voting solidly against it. Can there be any better illustration of the necessity for the people to insist upon the extension and improvement of our country's waterways?

France has just entered upon the construction of a comprehensive system of canals designed to furnish water competition to the chief sec-

tions of that country. In England, where the canals have been largely bought up by the railways and dwarfed or closed, as has been done to some extent in this country, the principal commercial organizations are now advocating the re-establishment of the canals on an improved basis as a check upon railroad extortion. Our canals, connecting the great lakes with the ocean, which are really national highways, ought to be as much a recipient of the national bounty as the isolated trout streams, muddy bayous, and petty harbors for which liberal appropriations are provided each year in the river and harbor bill.

A comprehensive system of improving our principal waterways should be undertaken upon a scale which will enable steam, the great motive power of the world, to be advantageously used, and thus reduce the cost of water transportation in the same proportion that the same motor has reduced the cost of transportation on land. If France can expend \$300,000,000 in constructing a system of canals how much better can the United States afford to undertake the same work.

I would state as regards the National Government assisting in maintaining the Erie Canal, that as long as the State of New York imposed tolls upon the canal there was a manifest impropriety in going to Congress and asking it to contribute. But now, as the State of New York has made it free of tolls and made it an international highway—because it takes in Canadian traffic as well—it seems to me it would be eminently proper for the Government to see that that canal was put in a proper condition. A number of propositions have been made looking to the improvement of the Erie Canal. Some of them are more expensive than others, but one is a very inexpensive one, which would double and perhaps treble the capacity of the canal. It was proposed by Horatio Seymour, jr., when he was State engineer and surveyor, and is very simple. His plan is to raise the tow-path 1 foot and dig out the canal 1 foot, which would give two feet more of water. Then, instead of the boats grubbing along on the bottom, as they are constantly doing now, it would give sufficient water for steam to be economically used on the scale and size of boats now operating on the canals. That would be a comparatively small expense.

Those merchants and citizens here in New York City who are friendly to the canals are trying to agitate to have that done by the State, in case the National Government should not see fit to aid the canals, without having the ownership and control pass out of their State. It would seem not unreasonable, in view of their having been made free of tolls, that there should be included in the annual river and harbor bill a certain appropriation for the improvement of the canals. An amendment to our State constitution, permitting the State to turn over the canals, or to give the National Government control of the canals, was defeated in our legislature, and it could not come up again under four years. That is, a constitutional amendment could not be consummated under four years, if we should go to work now to attempt to do that; and there is so much difference of opinion upon that point, and so many people in this State believe that the canals ought to remain the property of the State forever, that there would be very serious difficulty, I think, in making a bodily transfer of the canals to the United States Government. Therefore the next best thing to do would be, in consideration of the fact that the State of New York has made the canals free, that the National Government should take the same interest in improving the navigation of the canals that it does in improving the navigation of other water works.

## A NATIONAL COMMISSION.

15. In what manner can legislation for the regulation of interstate commerce be best enforced? Should a commission or other special tribunal be established to carry out the provisions of any law Congress may enact?

Undoubtedly such a tribunal should be established. I cannot better emphasize this than by the following extract from the report of the railroad commission of the State of Georgia for the year 1881, which says:

Prior to the act of 1879 the common law right of the citizen to be protected against extortion and unjust discrimination existed in its full force; but the remedy for its violation was wholly inadequate. Practically, the citizen had no rights, though his theoretical right was ample and complete.

The rights of the railroad companies were well defined enough, and their remedies also were adequate, being in their own hands. It was their capacity for abusing their powers which was not sufficiently held in check.

*The remedies of the citizen.*—In the very nature of the case the citizen stood at such a disadvantage that his rights were merely nominal. To illustrate: Suppose him to receive a package on which the actual freight charge was \$1.50, while a just and reasonable rate would be but \$1. What could he do? Usually he could not wait, but must pay the \$1.50 under protest—and bring suit afterwards, if he thought it worth his while for the half dollar overcharge. But could he afford to do this? His interest in the matter would not warrant the expense—the costs, fees, witnesses, the discussion of the principles and facts involved, as to what rate would be reasonable and just in the particular case. And only the one case would be settled after all. The next day a parcel would be charged 75 cents, worth but 50, and the 25 cents would involve a new suit. Practically he was obliged to submit. Were it a merchant who overcharged him he would transfer his trade to another house. But in dealing with the railroad he is dealing usually with a monopoly, unless at a competing point—and now even at such a point by reason of pooling—and so he was remediless. A litigation would usually settle but a single case—one class, one distance—scarcely any principle at all.

Such was the attitude of the citizen. Consider next the attitude of the railroad prior to the act of 1879.

It had a large interest in results. Instead of 50 cents multiplied by 1 (the citizens' interest) the railroad had 50 cents multiplied by 1,000 or 100,000 as its interest. It would have also ample experience, and the best legal talent already engaged and trained and waiting, and all the experts favorably inclined.

So unequally were the parties matched, that in the whole history of the State there has been (so far as we remember) not one single case of a suit by a citizen to enforce this common law right, and but one to enforce even a statutory right for an overcharge. In that case the charter of the railroad in express terms limited the rates, yet the railroad fixed its rates beyond the chartered limit, printed them and collected them, and was checked by this suit.

A remarkable commentary on the absolute worthlessness of rights without remedies.

The consciousness of this huge disparity between the parties is the great reason why juries lean toward the weaker side. Notwithstanding all this, however, unless the sum involved was large, say a suit for life, or limb, or injury, the party aggrieved would not enter into so formidable a controversy, even with the sympathy of the jury in his favor.

Indeed, the case was not prepared for jury trial. As well turn a jury loose into a great pile of copartnership or bank books to strike a balance, as into the complex principles and facts involved in rates of freight without some report like that of a master in chancery as the basis of decision. Now all this has been in large measure remedied by the act of 1879, and adequate provision made also for such a report, so that the parties can stand on a level.

JAMES M. SMITH,  
CAMPBELL WALLACE,  
SAMUEL BARNETT,

Commissioners.

R. A. BACON, *Secretary*.

I might say that the Georgia railroad commission, in my opinion, is by far the best example of the railroad commission in this country. It has wider powers; and only by giving a railroad commission proper powers can it be of use. Our own railroad commission is given such

limited powers that, while it has done a great deal of good, it has yet been remarkably circumscribed, and when we sought to enlarge these powers this winter it was found that the railroads had again rallied and obtained the control which, after six or seven years hard work, we had succeeded in breaking here.

The CHAIRMAN. What was the additional power you sought to give to the commission.

Mr. THURBER. Simply to permit it to appeal to the supreme court, and to have the supreme court enforce any decisions made by it which were just and reasonable. If, in the opinion of the supreme court, it affirmed the decision of the commission, then those powers should be conclusive. That is, that their rulings should be enforced, and then could be enforced by mandamus. But no mandamus could issue unless the court concurred. That was defeated, as were some other reasonable provisions.

The railroad commission recommended four or five different amendments to the act. The only one which the railroads favored was the one prohibiting the construction of parallel lines without the consent of the railroad commission and the legislature. And, although Mr. Depew (who is one of the cleverest gentlemen in the world) now admits that he was all wrong in opposing the railroad commission, he has been down to Washington, as you know, to advocate that the proper thing is a national commission with very limited powers of investigation, &c. Mr. Depew has not yet allowed his admiration for the railroad commission to arrive at that point where he is willing to give it sufficient powers to enable it to do anything, if the railroads choose to disobey its recommendations. There are three different cases now on record where the railroads have deliberately disobeyed the recommendations of the railroad commission. True, to be just to them, they have obeyed a number of important ones where it has affected their pockets; but others they have seen fit to disobey.

Senator PLATT. If the United States gives the commission judicial powers, of course it must conform to the Constitution, and give the judges a life tenure. Under those circumstances, do you or not think it would be wise to clothe the commission with judicial powers, and make it a court, and appoint the judges with a life tenure?

Mr. THURBER. If you will give this commission sufficient salary to command the services of first-class men, I should say, emphatically, yes; but you want to give compensation sufficient to command the services of men like Mr. Fink, as a railroad representative; like Mr. Nimmo, as a general representative of the public; like Judge Cooley, of Michigan, as a judicial member of the commission, and men equally eminent in the agricultural and manufacturing interests of the country. To create a commission with five, six, or seven thousand dollars salary each, and to make it for life, I should say no. You want to give men sufficient compensation—such as railroads pay for similar services. I do not know what Mr. Fink gets, but I presume he gets anywhere from \$10,000 to \$20,000 a year. I have heard it stated that he gets \$25,000 a year, but that I do not know.

The CHAIRMAN. Let me put a question. If a commission were created, and it were given the powers of a court, and the members were appointed for life, it would seem to me that that would take away from them the duty of traveling about the country and looking personally into the affairs and management of the railroads—visiting the different portions of the country with reference to ascertaining who were complaining, and what was the nature of the complaints. Have you thought

about the question, whether, if that were true, that kind of a commission or tribunal would be better than one like the New York commission, for instance, with limited powers, which should be given simply the power of looking into and determining for itself any complaints that might be made, of determining what the merit of the complaints were, and, having come to a decision, of allowing that decision to be made *prima facie* evidence, for instance, in some court which is to decide it?

MR. THURBER. As I understand you, that would also be constitutional.

The CHAIRMAN. I do not know as to that; I think so, perhaps. But the point I am trying to ascertain is whether a commission with just as much power as could be given to it, say to investigate and primarily determine on complaints would, in your opinion, answer, or whether it should go further than that?

Senator PLATT. And admitting that it is constitutional to provide that its findings shall be *prima facie* evidence in court, either of the fact or of the reasonableness of the fact?

MR. THURBER. I lean to the latter proposition, for the reason that it is more in accordance with the spirit of our institutions. I do not believe in life offices, unless you take very great safeguards to get No. 1 men. Undoubtedly a commission of that sort would be of very great use. But in the New York State commission law there is a provision which makes it incumbent upon the commission to make investigations upon the call of any incorporated organization, such as a board of trade, or a chamber of commerce; or any other representative institution which can easily be incorporated, if it is not already incorporated.

The CHAIRMAN. The board is compelled to investigate?

MR. THURBER. Yes, sir; the board is obliged to. It is mandatory upon it to do so. I should think there ought to be such a provision in the national commission. For instance, suppose the Chamber of Commerce in California has a grievance, and it is not convenient for the commissioners to go there and investigate it. There might be a denial of justice on account of the great expanse of territory and distance. The cities of one part of the country ought to have as great rights as the cities of another.

#### VALUE OF THE HEPBURN INVESTIGATION.

Your committee will, I am sure, pardon me for the extensive quotations I have made from various authorities, and especially from the report of the Hepburn committee. This committee, appointed by the legislature of New York in 1879, occupied nearly eight months in a thorough examination of the subject under consideration, taking some five thousand pages of testimony, and their report is generally acknowledged to be the ablest presentation of this difficult subject which has yet been placed before the public. While it was only instituted for the purpose of defining the relations between the railways of our own State and the public, the investigation necessarily took in much that applied to interstate commerce, which must be my excuse for quoting liberally from their report. After considering various defects in the general relations of railroads to the public, the committee say (page 7):

The mistake was in not providing proper safeguards to protect the public interest and hold the roads to a strict accountability for their transactions. Thus, through the laxity of our laws and the want of governmental control (measurably excusable, considering the unforeseen possibilities of railroad development at the time of the enactment of those laws, but no longer pardonable in the light of the evidence herewith submitted), have crept in those abuses hereafter mentioned, so glaring in their proportions as to savor of fiction rather than actual history.

After considering these abuses at length the committee say (page 69):

Now, as to the necessity for some regulation to protect the public see testimony of Mr. Rutter, pp. 453-54, where he testifies that he serves the stockholders only, and only regards the public interest to make it tributary to the interest of the stockholders.

Mr. Vilas (testimony, pp. 414-15) testifies to the same controlling motives. Mr. Blanchard, after describing a railway officer as subject to three practical tribunals—first, the president of the road; second, the law as laid down affecting transportation; and third, the unwritten law of commerce, says:

"It has been our policy in this matter, while keeping within the statute law, as far as I knew it, or had occasion to know it, that wherever this public unwritten law came into contact with the interests of the shareholders, I believed it to be my conscientious duty to decide in favor of the shareholder; I knew of no claim that the non-shareholding interests had upon me as a railroad officer so long as I was within the written law, to concede its views in the matter of rates, and in the management of our traffic."

In the joint letter (testimony, p. 47), Messrs. Vanderbilt and Jewett say:

"That the managers of a railway company desire to make all the money they can for their clients, and to do this they have constantly before them the question what rate *within their chartered limits* will an article bear that will yield the largest profit and at the same time stimulate its production."

The marked importance which is here attached to keeping within the law emphasizes the necessity for a law, for governmental control."

On page 64 the report says:

We have seen what gross infractions our railroads make upon the apparent rules of justice; and yet let the State propose to make a general rule or law, and they immediately produce some remote exception and insist that it argues the injustice and unwisdom of such a law.

On pages 71 to 77 of their report the committee say:

Mr. Blanchard tells us the pool will continue and will grow in extent and be respected, because roads are beginning to find out that they are better paid; by so doing they get better rates and make more money. The possibility of combining practically under one management over 80,000 miles of railroad, with capital aggregating about \$5,000,000,000, is certainly a strong reason why the Government should subject this vast interest to a proper regulation. The proposition that Congress should give to the pooling agreements the force of law, if practicable—which is doubtful—the people of this country, with the good reason they have to distrust the exercise of vast corporate power and the motives of some of the most potent railway kings, will never consent to; and this brings us to the embarrassing question of what shall be done.

#### RECOMMENDATIONS.

The question we are called upon to consider is as broad as commerce, and commerce is king with the whole world for vassals. It has kept pace with progress and grown with civilization. It extends its blessings and its burdens alike to the remotest hamlet. The cost of transportation enters into what we eat and what we wear, that which preserves and nourishes our physical nature and that which administers to our spiritual. It enters into the necessities of life and is equally potent in determining our luxuries. Though it only affect certain industries and certain interests directly and perceptibly, its influence is equally potent in all the ramifications of society. The problem of transportation is an unsolved one and from its very nature must ever remain so. Each generation must determine for itself. The constantly shifting conditions which surround it, the ever-changing elements that enter into it, the continual offerings which genius contributes to cheapen and facilitate transportation, present an ever-shifting phase to this kaleidoscopic question, calling for an ever-varying solution. The telegraph, the steel rail, the improved motor, the Atlantic cable, and kindred causes have revolutionized and are continually revolutionizing commerce. The tariff of a dozen years ago seems extortion in the light of present charges. Called from various pursuits to consider this question, we were naturally embarrassed by its magnitude and the vital interest involved; and now, at the point of suggesting remedies for the wrongs proven to exist, remedies in themselves not difficult of suggestion, we are confronted with practical difficulties of a very embarrassing nature.

The jurisdiction of this State is too limited. Proxies, watered stock, annual reports and other matters within our State limits, are within our control and should be fully and properly regulated. The New York Central is the only road engaged in the carriage of freight to and from the west wholly within our jurisdiction. The Erie is a New York corporation, but runs through three States and has its eastern terminus

in a foreign State. Even the port of New York, that contains the city of our pride and our solicitude, is not wholly within our control. The eastern borders of her harbor are marked by the coast of a foreign state. Thirty-four per cent. of New York's business is done by powerful rivals of our own roads that tap the granaries of the West by the shortest and most direct route. We might enact laws that would drive the business from our own roads without improving the condition of affairs in this State. Indeed such a course would aggravate matters, for the interests of these rival roads center in rival cities.

We might cripple the prosperity of New York; we might enact laws that would build up Jersey City and transfer the legitimate growth of New York to the Jersey coast. It is as imperative that such consequences be avoided as it is that present wrongs be redressed. While the laws of commerce ignore political divisions wholly, our jurisdiction is circumscribed by the limits of the State of New York.

States divided by navigable waters, which are everybody's highway, present borders which the two systems of traffic must respect, and the breaking of bulk and terminal expense incidental thereto is unavoidable; but the artificial line of the surveyor, marking a political boundary, though it may determine where a man shall vote or pay his taxes, least of all lines has neither breadth nor thickness in determining the currents of trade. Whatever prominence may be attached to State individuality and State rights, in a commercial sense we are eminently a nation, and the sooner that fact is recognized the better it will be for our commerce. There is not the slightest reason why the Liverpool merchant should not buy his grain, graded, in Kansas City, by cable, and have it placed alongside the dock at Liverpool with but one intermediate handling—the transfer from car to vessel at the sea-board. In the close competition of the present age transportation must be cheapened to that extent, and it were absurd to expect produce to be handled at New York for the sake of enabling those who handle it to make a profit. The point of production will seek the point of consumption by the cheapest and quickest route, and kings and parliaments are powerless to prevent. The complaint that New York makes as to the loss of jobbing trade, Chicago must make and Saint Louis also. Certainly, a percentage of the complaints lodged against railroads is due to the inexorable laws of trade. *Congress with power commensurate with our territorial limits, in conjoint action with the States, can regulate this matter.* Under the Federal Constitution Congress may regulate interstate commerce, while the States only can regulate that within their borders.

The complication of jurisdiction is emphasized by the peculiarities of our geographical position. The Baltimore and Ohio and Pennsylvania railroads reach New York City by lighterage and ferry from the Jersey coast without anywhere coming within our jurisdiction. The Erie road has thirty-five points of actual contact and competition with other roads (Testimony, p. 2845). Many of these points of contact are with roads leading to Philadelphia and Baltimore. The New York Central has nine points of actual contact with roads running or connecting through to Philadelphia and Baltimore. Many of these competing roads are foreign corporations, running but a few miles within this State, and, therefore, could be controlled by absolute law to but a limited extent.

Rates ought not to be secret; but to go to the extreme urged by some, and compel the publication and posting of rates at all stations within this State, and prescribe a fixed period that all rates must be posted before they could go into effect. *A rule that would be eminently just and proper, could it be enforced generally throughout the country, would not only give notice to the public, but also to all competing roads. And at all points of contact—and there are many along the Erie and Central also—Pennsylvania and New Jersey roads could make their rates just enough lower to get the business and take it to Philadelphia or Baltimore, or even to New York, over their lines. For instance, the Delaware, Lackawanna and Western, in fixing a through rate from Oswego or Utica to New York, can comply with any requirement the legislature may enact, until they get to the State line and then, unrestrained as they are in Pennsylvania and New Jersey, could vary their rates so as all the while to place our own State roads at a disadvantage; this road, which is a Pennsylvania corporation, might publish its rates at all New York stations, and, for instance, charge 25 cents per hundred-weight from Oswego to the State line, and nothing from there to Jersey City. The line being a continuous one, it would make no difference to its treasury whether the charge was located upon a portion of its line or the whole of it. The same may be said of the Northern Central, running from Canandaigua to Baltimore, and the same of the Buffalo, New York and Philadelphia, running from Buffalo to Philadelphia, and others. Our railroads should be forbidden to make secret rates, and compelled to treat all shippers alike, but the propriety of compelling the publication of rates and the publication of all proposed changes is a matter for your serious consideration.*

Your committee made an earnest effort to ascertain the cost of transportation, and the relation of the cost of through and local traffic. The best information that we could obtain does not enable us to suggest the enactment of any *fixed ratio* between State and extra

State points; neither are we able to suggest the enactment of any *fixed ratio* between different points within this State. A thorough consideration of all the evidence adduced upon this subject, and of the subject itself, induces the conviction that the passage of what is popularly termed a *pro rata* freight law would be prejudicial to the interests of the public. The experience of Western States in this direction ought to be a warning and a satisfactory reason for declining to bring this subject into the field of legislation in this State. While there are certain general propositions that may with propriety be laid down by the legislature for the control of traffic managers in the adjustment of rates, within those general rules there must be permitted an elasticity of management and freedom to exercise judgment and discretion upon the ever varying questions that constantly present themselves for action. As a principal of railroad management, no more should be charged on small shipments than on large shipments, proportionately than the additional cost for handling.

A proper unit of shipment should be fixed. The practice of charging more for a short haul than for a long haul should be forbidden; the granting of unequal or preferential rates should be forbidden; the making of secret rates and the giving of drawbacks and rebates for such purpose should be forbidden; and your committee are of the opinion that the legislature may safely go to this extent without infringing the proper discretion and elasticity of management which railroad managers must of necessity possess, without driving the business from our own State roads to the rival roads of other States, without driving the commerce from our own cities to rival cities, and without, in the slightest degree, infringing or compromising the vested rights of railroad property. Your committee, therefore, accompany their report with proposed legislation, designed to correct the above evils and the evils of the proxy system; designed to remove the defects in the law requiring an annual report to the State engineer and surveyor, so that said report shall disclose a full and complete history of the years transactions of the road, both financial and otherwise; designed to remove those provisions of law whereby it is possible to issue bonds convertible into stock, convert them into stock and place the stock upon the market, all in one transaction, as was notably done during the Fisk and Gould administration of the Erie, and which may be done at any time for the purpose of obtaining or maintaining control of a road; amending the law passed in 1869, and still in force, which permits any two railroads, upon consolidation, to fix their capital stock at any amount, or, in other words to infuse any amount of water into it; amending that provision of law which provides for issuing stock by railroads, so as to give to the transaction publicity and require, preliminary thereto, the consent of the public, through its proper officers; and designed to prevent discriminations upon like and contemporaneous shipments.

The business of transportation requires the greatest freedom of management of any business extant. This is manifest to the most casual observer. The difficulty and the danger of imposing cast-iron regulations upon our railroads, especially in view of the fact that they would apply to our railroads only, leaving their competitors free and untrammelled, compels us to inquire what other means or instrumentality may be made effective in obtaining the redress which the public seek and to which they are entitled. Certainly a railroad, in order to be successfully managed and prosperous, in the whirlpool of competition of the present time, must be run by brains and not by legislation; and the reforms in railroad management must come through railroad managers by means of a public pressure brought to bear upon them. The claim given prominence by Mr. Depew, that railroads, in guarding the interest of their stockholders, will regulate themselves, would have more force were it not painfully apparent that railroads are not always run in the interest of the stockholders. During recent years the management and the stockholding interest of the New York Central have been identical, and that road has been conducted with the best of economy and with exceptional ability; but, according to Mr. Depew himself, under prior managements, the interests of the stockholders were disregarded in various ways. Boards of railroad directors frequently represent but a small share of the stockholding interest; and, under the temptations which our railroad system holds out, have in the past frequently consulted their own interests to the detriment of the trust which they represented.

It seems to your committee that the wrongs that exist may be ameliorated, if not corrected, by introducing into the determination of these questions a public element which shall give to the public interest a consideration which the evidence shows it does not now receive; and to that end we recommend a commission, to be composed of three individuals, with power of investigation and recommendation.

The claim recently put forth through the press by Mr. Vanderbilt, that in case of a commission, the commission must either own the railroads or the railroads own it, presupposes an absolute hostility between the interest of the railroads and the interest of the public, which, in the judgment of this committee, does not, or, at least, should not, exist; and also a degree of venality on the part of public officials which a judicious executive will easily avoid. The prosperity of our State is inseparably connected with the prosperity of our railroads. And in contending for commercial



supremacy and the control of the traffic of the West and Southwest, with their constantly growing power in questions of commerce and of government, public and railway interests will be identical and their efforts must be united. This emphasizes the necessity of immediately correcting the evils of railway management in this State in order that all interests may be united.

A commission, to be properly constituted, should, as does the English commission, give a representative to the railroads as well as the public. One of the commissioners should be a man thoroughly familiar with the business of railroading, one of recognized ability, and a recognized authority upon such questions; another should be a representative of the commercial interests of the city of New York, and another should represent the interests of the interior of the State, and one of the three should possess legal training.

With a commission thus constituted, composed of men of recognized ability and unquestioned integrity, who should devote to this vast question their especial consideration and entire attention, it seems to us it would be alike profitable to the public and to the railroads. By means of their powers they could bring railroad management into the scrutiny of the public, and subject it to the influence of that most powerful of all motors for the correction of evil—public opinion. This will afford to the public a tribunal to whom they can appeal for a redress of grievances easily and without expense; whereas now the only redress is to be had in a legal controversy with a powerful corporate interest. If wrongs should be practiced or attempted, the commission, by investigation, could bring them to light, and the restraining effect of possible or probable exposure of improper management would, in itself, be a powerful conservator of public interests. Commissions have been tried in many other States of the Union, and from their long continuance it is to be presumed that they have worked satisfactorily and beneficially there. While we easily foresee that an improperly constituted commission, composed of dishonest and incompetent men, would be alike a curse to the railroads and to the public, yet the necessity of enforcing a proper relation of these vast interests to the public and holding them to a proper accountability, and especially in view of our State government as at present constituted, your committee are of opinion that the example of other States and other countries in respect to a commission may, with propriety and with profit, be copied by us. Your committee have suggested remedies for the prominent evils discovered. The very limited time since our testimony was in print has not enabled us to review the whole field of legislation with the thoroughness desired, but the testimony submitted and the wisdom of the legislature will suggest such remedies as we have omitted to specify.

#### PRINCIPLES TO GOVERN INTERSTATE COMMERCE.

While the foregoing recommendations were made as applying to the railroads of this State, it will be observed that they embody the essential principles that should govern in interstate commerce, namely: First, publicity of rates; second, prohibition of preferential rates; third, prohibiting drawbacks and rebates; fourth, that no more should be charged on small shipments than the additional cost; fifth, that charging more for a short haul than a long one should be forbidden; sixth, declining to legalize pooling; seventh, establishing a board of commissioners to see that these laws are enforced, and to investigate complaints and see that justice is done as between shippers and carriers. The leading features of these recommendations were included in the bill known as the New York anti-discrimination bill, which, however, was defeated in our legislature by the money and influence of the railroads combined with that of favored shippers. The commission feature, however, was enacted into a law and has been constantly hampered for want of power, and its decisions have been disobeyed and disregarded. I am of the opinion that any adequate law for the regulation of interstate commerce should embody the foregoing provisions, that the commissioners should be given more power, and be paid salaries as high as railroad companies pay for similar talent.

I think that while that was merely a State investigation, the time given to it, and the ability of the committee, and the exhaustive nature of the investigation, with five thousand pages of testimony boiled down into a report as small as that, make it worthy of careful reading.

Speaking of the defeat of this anti-discrimination bill, which I regard as the most important bill recommended by the committee, it was done by the combined influence of the railroads and favored shippers. The New York Central took its assistant general freight agent, and sent a special train through the State calling on every man who had a special rate, and they brought down four hundred of them at once to Albany and marched them up Capitol Hill, paying their hotel expenses and wine bills, and, notwithstanding the papers at the time were almost a unit in favor of this thing, it was a combination that was irresistible. I presume just as soon as you touch the milk in the cocoa-nut in national legislation you will meet the same opposition. You will find a combination between the railroad companies and the favored shippers.

#### METHODS OF RETALIATION BY RAILROADS.

I have been repeatedly attacked, and it has been suggested why did I not take advantage of all the opportunities offered. It was because I believed there was a right and a wrong to it. I got into the fight and got interested, and I felt that it was necessary to see the thing through. There were other good men, among others Mr. Schultz, who, I understand, you had before you this morning, and Mr. A. B. Miller, and others, who stood up in this matter. But there is nothing so mean that a corporation will not do, when it is honestly and fairly and squarely antagonized, to get the best of the men who are antagonizing it. They went to our chief competitors in business—I am now speaking of my own firm—and gave them special rates, which they had never before had, in order that they might have in this State better rates than we had. I haven't yet to this day ceased every now and then finding little petty annoyances turning up, just because there was a difference of opinion there.

#### DANGERS OF THE PRESENT SYSTEM.

Senator PLATT. A railroad manager stated to me the other day that he hoped the Government would attempt the regulation of railroads, because he believed the present condition of the railroad system of this country was demoralizing all kinds of business more than any other one thing. Do you agree with him?

Mr. THURBER. Many of the railroad men that I have met are the finest men in the country. I do not think, taken all together, you can find in the United States two hundred and fifty thousand or three hundred thousand men of equal ability, equal cleverness, in the sense of being nice, and all that, to those connected with the railroads. The roads can afford to command the best talent of the country, and they do command it as far as executive officers are concerned. But the trouble is not with the executive officers of the railroads. It is with the financial freebooters who have come in and who control those roads and give those executive officers an impossible task of earning dividends upon fictitious capitalization. Those are the men, and they are the men who roll up these fortunes of ten, and twenty, and fifty, and a hundred million of dollars in a space of time that would have made our forefathers stare if the possibility of such a thing had been suggested. They do it by robbing alike the shippers, the stockholders, and everybody they come in contact with.

Senator PLATT. Is not that very thing leading to what is called communism in this country? Does it not beget disregard of the rights of all?

Mr. THURBER. Undoubtedly; and I think it is only the part of intelligent self interest on the part of men who have worked hard and acquired a reasonable property to take hold of this matter and endeavor to do what is fair and right as between corporations and the public. I met a friend of mine the other day who is in Wall street. He was saying that all that was necessary for a man to make money in Wall street was to be utterly regardless of his word, to be willing to swindle his best friend, and then "go in."

The CHAIRMAN. He was not "in," was he?

Mr. THURBER. No, sir; he had not been a success in Wall street.

Senator HARRIS. He at last found the secret of failure, and thought he had found the secret of success.

Mr. THURBER. The trouble is, with many railroad men who have failed in the tasks required of them, to pay dividends on the capitalization, that they want now to appeal to the Government to help them out. If they would submit to any fair capitalization and to earnings on a fair capitalization, then the maximum and minimum rate might be an advisable thing to establish by law; but, until that can be done I do not think it is a possible thing to do. I think you will have to take the facts as they exist.

#### COMPETITION THE ONLY SALVATION.

We cannot go to work and make over this railroad system of the United States. You must hold fast to the sheet-anchor of competition, notwithstanding it works great hardships in many cases, as we see done in the paralleling of railroads that are not needed, and so on. Extend our waterways all that is possible. Hold fast to that sheet-anchor of competition. I believe that is the only salvation for the people of this country as a whole.

#### ON WHAT BASIS SHOULD RATES BE CALCULATED?

Senator PLATT. Ought a commission, having the right of supervision of the rates fixed by railroads, in view of all the circumstances, to require those rates to be calculated for the purpose of earning money on a fair and just capitalization of the railroads only, or upon the present capitalization of the railroads?

Mr. THURBER. I should say upon what it would cost now to replace those roads, if we had to go into that. But here is another element: If the State had constructed those railroads the people would have had the benefit of the unearned increment of value, and I am willing to take Mr. Vanderbilt and Mr. Jewett right at their point of treating the public as the State would have treated the public, and treat them on that basis. If you should go into fixing a present capitalization for railroads, the railroads would claim all this unearned increment of values, and claim that it is largely the result of railroads. Suppose the people had constructed their own roads and had leased them out for operation; the people would have had all the property. Do as the people of Cincinnati have done in constructing their road; do as they do in India.

Senator PLATT. Or as the cities in constructing gas works and water works.

Mr. THURBER. Yes, sir; only in those cases the cities operate them, as a rule. They do not lease them out. In my opinion, there is a very important principle involved in the construction by the public of these

improved highways, and the leasing of those highways for operation. In 1876 I was in India, and I gave some attention to the system under which the Anglo-Indian railways had grown up there. The Indian Government built the railroads, and for awhile it operated them. The inevitable waste of a government administration made it cheaper for them to gradually change to the other system of leasing the roads, and continuing the ownership; remaining in the position of landlord and tenant, so that they could periodically change the rate, as might seem just. If the unearned increment became of such value that the operating company could afford to pay more, put on a higher rent as a landlord puts on a higher rent for his building, and as ground rents are adjusted. I think there is an important thought in that.

#### EXAMPLE OF CINCINNATI IN RAILROAD BUILDING.

The CHAIRMAN. Would you recommend the Government to have anything to do with the construction of railroads? I mean, to furnish the capital.

Mr. THURBER. I think we might begin with cities and States, as the city of Cincinnati has done. The principle would be the same all the way through. The principle would be just the same if the Government to-day should insist upon building trunk lines of roads and leasing them; but we do not want to, if we can help it, do any injustice to capital that has been honestly invested. I know pretty well that that is your position, because I have read your remarks in the Senate, and have studied your bill somewhat. I think that as far as your bill goes, it is all right; but I think you can make it more perfect by prohibiting more things that are generally admitted to be wrong.

The CHAIRMAN. I am here to seek information and ascertain how far we can go.

#### FEATURES OF LEGISLATION.

Mr. THURBER. Mr. Reagan's bill was a very good bill indeed, only it did not comprise the feature of a commission. It was laws without a police force. While perhaps there may have been some things in Mr. Reagan's bill that it would be best not to have in the beginning, yet at the same time it is the best thrashed-out measure, I think, that has been before Congress.

Senator PLATT. Without intimating my own opinion, I will ask this question: Do you think it possible at the start to form a bill the details of which shall cover the ground? Must not the prohibitions and enactments of the bill be somewhat of a general character?

Mr. THURBER. Yes, sir; it has undoubtedly got to be a growth, the same as the law is a growth everywhere. But there was one very good feature in Mr. Reagan's bill which the railroads did not like at all; that was, giving a local remedy for a local wrong. This is a very big country, and unless you give a citizen away down in Southern Texas, for instance, a remedy in his judicial district, he is going to suffer a good deal of wrong before he gets clear up to Washington to have it remedied; and the same thing applies to the Pacific coast. That feature of Mr. Reagan's bill, of giving triple damages, I thought a very necessary feature, if a man out on the plains or on the Pacific coast were endeavoring to get any remedy for any ordinary wrong.

The CHAIRMAN. As you have referred to the bill that I reported, I will state that I am not here as a stickler for that bill, or for any system. I am trying to find out what we ought to do. But the bill that

was passed by the Senate, with which I had some connection, provided that the commission should make their award, and if it was not complied with, and the railroad, for instance, paid no attention to it, its duty was to hand it over to the district attorney of the United States where the complaint was made.

Mr. THURBER. I think your bill provided for nine commissioners, one for each judicial circuit.

The CHAIRMAN. Yes. Now, would that kind of a measure, in some degree at least, serve the people, and avoid the necessity for their going to Washington, where the headquarters of the commission might be?

Mr. THURBER. That undoubtedly is a very excellent provision. As a rule district attorneys are so crowded with their other business that they dislike very much to take on business of this character. There have been several flagrant instances of corporate wrongdoing in this State that our attorney-general ought to have taken up. Such officers never will do it unless the parties immediately interested engage special counsel, under their direction, to do it; and practically it is not a very great remedy, although, if the thing were sufficiently important, and it were made mandatory upon the district attorney by the terms of the bill—

The CHAIRMAN. He ought to be required to do it, and be paid for it. Give him the ordinary fee that the United States officer gets for the prosecution of cases to success.

Mr. THURBER. Yes.

#### EXTENT OF STOCK WATERING.

The CHAIRMAN. Have you any intimate or definite information in reference to the amount of watered stock in railroads, and things of that nature?

Mr. THURBER. No, sir; I do not think anybody has in particular. I heard Mr. Poor's estimate. I know there are so many instances where that is so very much short of the mark that it is absurd. I think he said that the New York Central was about half water. Why, the New York Central had been watered three times prior to 1867-'68, and at that time they doubled it. They put forty-seven millions of water into the New York Central and Hudson River Railroad in 1867-'68, and they paid 8 per cent. dividends on that forty-seven millions until last year, which was the first year they dropped their dividends down. I think last year they paid 6 per cent., and I guess they have now got down to 4. I know I have figured up what the dividends on that water had amounted to in thirteen years with interest compounded annually. It was \$81,000,000. I think that that is a pretty good indication of where one-hundred-millionaires were made. That was for thirteen years on the watered stock of that road. I think I have a tabular statement of it here, if I am not mistaken. It was only carried up to 1881. In 1881 it was \$75,049,000; and the next year, 1882, put it over \$80,000,000.

Senator PLATT. Is there any way that you can think of by which Congress, having only the power to deal with interstate commerce, can in the future prevent overcapitalization of railroads in the building of them, or in the future operations of the roads?

Mr. THURBER. I do not see how you can, except where they seek United States charters, and most of them do not do that. The rule which makes everybody else look out for value when he buys a thing would seem to apply in the purchase of railroad securities, although there have been some most outrageous swindles upon the investing public.

Senator PLATT. In living up to that rule you do not allow confidence men to go around the country?

Mr. THURBER. No, that is so.

Senator PLATT. Or to continue their operations?

Mr. THURBER. That is so. I wish to add that Mr. Sterne, who appeared before you, is chairman of the board of trade and transportation, and I am chairman of the committee on transportation. We agree pretty well as a general thing, although he is, I think, hardly prepared as yet to take up the view that competition is the only thing to be relied upon. He still hangs at the idea that the pool has sufficient good in it to preserve it.

#### THE SURVIVAL OF THE FITTEST.

Senator PLATT. Competition means the survival of the fittest?

Mr. THURBER. Yes, sir; that is what it means.

Senator PLATT. The survival of the fittest does not mean the discontinuation of needless railroads, but it means their being absorbed by the strong roads, and being capitalized over again at a large figure.

Mr. THURBER. Yes, sir; that is so. But even then we have one thing left, if we only hold on to the water routes and improve them so that steam will be available in all parts. Steam is the motor we want to apply to water routes. I do not know whether they have it in the Chesapeake and Ohio or not.

Senator GORMAN. Through the water routes you move a hundred pounds from Chicago for 11 or 12 cents.

Mr. THURBER. They do it lower than that now.

#### HOW TO INCREASE CAPACITY OF CANALS.

Senator GORMAN. Have you made any attempt to double the capacity of the Erie Canal, either by enlarging its locks or deepening the water way and enlarging the channel? Could you by that means very much reduce the cost in the use of steam?

Mr. THURBER. I have no definite figures which would be of any value to you. I have heard wild statements of how it would affect the cost, and so on. I think there are some estimates of civil engineers. There was a paper read, if I am not mistaken, before the American Institute of Civil Engineers, by Mr. Sweet, who was formerly State engineer and surveyor, and who had charge of our canals. But that was based on a very considerable enlargement, so that propellers could go through from the lakes to the sea board. The most feasible and sensible plan that I have seen is that recommended by Horatio Seymour, jr., that he should raise the banks of the Erie Canal a foot, and dig them out a foot.

The CHAIRMAN. I have written to Mr. Seymour to get his views on the general subject. We shall be glad to hear from him. But he has not responded in any way, although his father did in a brief letter.

Mr. THURBER. You mean his uncle. While he is called Horatio Seymour, jr., he is a nephew of Horatio Seymour, and he is now civil engineering somewhere in the West. I do not know what his address is. His plan of raising the banks a foot, and digging out the bottom a foot, and doubling the locks—that is, doubling the length of the locks—would enormously increase the capacity of our canals. And whatever is done has got to be done quickly, because the fleet of boats has declined from 4,000 and upwards, in commission, down to 1,352, and no more boats have been built for a number of years.

Senator MILLER. You do not mean to be understood as saying that

the capacity of the canal for carrying freight has ever been used up to its fullest extent, or even one-half, do you? The way to increase capacity is to increase the capacity of the boat and not of the canal. The canal has carried 6,000,000 tons of freight a year. In its present condition it is capable of carrying two or three times as much as that. But the cost of carrying is such that it did not pay freight to seek that channel.

Mr. THURBER. What I mean is, the capacity to carry cheaper. The boats now grovel along on the mud, and the wheel of the propeller is constantly throwing it up. During the season of navigation they jam the mud up on the sides; and the way in which we clean out our canal, as a canal boatman was telling me a day or two ago, is to go through and throw it into the middle again.

The CHAIRMAN. And then the boats plow it out again?

Mr. THURBER. Yes, sir.

Senator GORMAN. What you want is to increase the carrying capacity of the boat so that you can move a greater amount with the same power.

Mr. THURBER. Yes, sir; the lockage is a great problem.

Senator MILLER. As to that statement about plowing through the mud, you do not want to have it taken as the condition of the canal from one end to the other, do you? The plowing is not a serious matter at all; and the statement of the canal boatman, that the dirt is thrown into the middle of the canal, is not true, to any great extent. There are periods of the year when the dirt is all carried out on the banks in great quantities. A boat loaded to its utmost capacity would very seldom touch the bottom anywhere between Buffalo and Albany. Of course, there are places where a stream runs in and brings in dirt, and there is occasional trouble. The canal last year was not perhaps as good as it has been at other times; but, taking one year with another, it is in pretty good condition.

Mr. THURBER. I have talked with quite a number of practical canal men, and I talked with one two or three days ago who assured me, and I have every reason to believe he was a credible man, that that was the way they cleaned out the canal in the city of Troy. He said he saw it with his own eyes, and that they simply threw the dirt in from where the boats had pushed it up. They pushed it back again into the middle.

Senator MILLER. That would stop the canal and the water would have to be drawn off in order that it might be cleaned out. The fact that the boats do run and that boats get through and carry full loads shows that that statement is not correct. It is evident that there are about 7 feet of water from Buffalo to Albany.

Senator GORMAN. What Mr. Thurber means is that by lengthening the locks and attaching two boats together and carrying 400 tons instead of 250 or 240 as is done now, you can move the two boats with the same labor and with one-sixth of the power.

Senator MILLER. In that way the cost of transportation can be reduced to the least cost.

The CHAIRMAN. You mean to say that the canal ought to be put into such a condition as to be used for the transportation of freight at the cheapest possible figure?

Mr. THURBER. Yes, sir.

#### TRANSFER OF ERIE CANAL TO THE UNITED STATES.

Senator MILLER. What do you think of the suggestion of turning over the Erie Canal to the Federal Government and letting the Federal

Government maintain it and carry it on, since it has become now a carrier almost entirely of interstate commerce, and scarcely at all of State commerce, probably not to the extent of 5 per cent.?

Mr. THURBER. I think, as I said a little while ago, that it would take too long to get that power. The amendment was pending in our legislature last winter for that purpose. There are a great many people in this State who oppose the turning over of the canal bodily to the Government. But it seems to me that the Erie Canal, being engaged as you have just stated, as an interstate carrier, is as much entitled to an annual appropriation in the river and harbor bill as any navigable waterway of the country, and perhaps no larger section of the country would be benefited by such an appropriation.

Senator MILLER. That would be an appropriation by the General Government to be expended under the management of the present State authorities. Of course you know the money appropriated under the river and harbor bill is expended under Federal management?

Mr. THURBER. I think they could join together in that.

Senator MILLER. The State feels that the Federal Government ought to extend aid.

Senator HARRIS. No doubt the people of the State would be willing to accept the money.

Senator GORMAN. If that were done and you reduced the cost one-third below the present cost, would it not practically destroy the railroads, or render it impossible for them to carry through freight to competing points?

Mr. THURBER. I do not think it would. The railroads have become the great distributors of the country. They are bound to take a very large proportion of even the heaviest freight, because it is so convenient for a man to get a car-load. It is a more available unit for a small merchant to handle than is a boat load. Then there are great sections of the country which are not reached at all by the canals. I refer to local traffic. As far as the through traffic is concerned I think you will find that the railroads would take a share of it. Perhaps a less share than now, but they would still continue to do a large share. Railroad rolling stock does not depreciate any faster when it is kept moving than it does when it is standing still. A car will carry freight very cheaply when the alternative is presented to them of running empty.

The CHAIRMAN. They get as much return business for their cars as they can; otherwise they would go back empty.

Mr. THURBER. Yes, sir; I think it would attract enough more business that would pay tribute to the railroads in other ways (as all traffic helps other traffic) to make up for it.

Senator GORMAN. Without increasing the charges on non-competitive points?

Mr. THURBER. Non-competitive or local. Of course there is a range of possibilities that would be done.

#### RAILROADS PREFERRED FOR QUICK TRANSIT.

But there is a great deal of grain that is bound to go by rail. It is wanted quickly. The conditions of quick transit are such that contracts are made for delivery on the sea-board here, and they have been made even in England and in Europe for delivery by a certain time. If a man can make his connection, he can afford to pay the higher rate of



freights. Of course it is difficult to say just how large a proportion would be affected in that way.

Senator PLATT. How long does it take to bring grain from Chicago to New York?

Mr. THURBER. I suppose if it came by propeller from Chicago to Buffalo it would take about twelve days, or something like that.

Senator GORMAN. Twelve or fourteen days.

Senator MILLER. Twelve or fourteen, including the lighterage.

#### UNIFORM RATES AND PROPER NOTICE OF CHANGE.

Senator GORMAN. Talking of the class of sales made by cable, where time is a consideration and where the sales can be made only at a rate below the current price, how would a provision for having uniform rates and no change of rates within five days affect those sales and affect the commerce of the country? Suppose you had an order to-day for a thousand bushels of wheat, provided you got a decrease of 2 cents on a hundred pounds, and there was no pool, or the railroads were prohibited by a general law from making any special rate, how would that provision affect the commerce of the country?

Mr. THURBER. I should say that in such a case as that it would prevent that transaction.

Senator GORMAN. Is there not a large number of cases of that sort, and does not that occur frequently and almost daily?

Mr. THURBER. I do not think that there is a sufficient number of such cases to prevent that reasonable notice being given. All the railroad pooling arrangements that I have noticed have generally provided a ten days' limit. I was reading in the Railroad Gazette the other day of one of the Mississippi Valley pools where the agreement was that the rate should not be changed without ten days' notice.

Senator PLATT. I think Mr. Fink argued here that it ought to be changed immediately, and I think he said that was the practice.

Senator HARRIS. He argued in favor of a ten days' notice of increase; but when a reduction was determined upon he said it should be done at once. He spoke of the competition with the Grand Trunk making that necessary.

Mr. THURBER. There was a time when Mr. Fink was much more judicial than he is at present, since he has had his experience in the pool. I think he is naturally one of the fairest men in the country; but his experience in the pool has led him to change his position of fairness a little bit; and I doubt now if he would be willing to thoroughly indorse all that he has written in the past as to what ought to be done. If Mr. Fink could have been paid jointly by the railroads and by the people when he first took hold of that problem, I think he would have done as near right as human nature could have done. He certainly is a very able man, but both he and Mr. Blanchard lean to the railroad side of the question now. You will find, I think, when you come to legislate on this subject, that they will oppose anything which the people want, and, if you could give them a commission that would be after their own wishes, to act as a buffer between them and public opinion, and the commissioners were appointed for life, that would be just what they would like.

The committee adjourned to meet in Boston on Monday, May 25, at 10 o'clock a. m.

BOSTON, *May 25*, 1885.

The committee met at 10 o'clock a. m.

The CHAIRMAN. Gentlemen, we are here as a committee representing the Senate of the United States, charged with the duty of making an investigation into the question of the best means of regulating commerce among the States by Congress. We opened our investigations in New York, by hearing the State railroad commission, and we shall be glad to do the same thing here if the commission is prepared to come before us either by its chairman or by any representative, or by all three of the commission, if they so desire.

### THOMAS RUSSELL'S STATEMENT.

THOMAS RUSSELL, chairman of the railroad commission of the State of Massachusetts, appeared and said:

Gentlemen of the committee, our commission has very little to say, for the reason that we are only accustomed to deal with the small matters pertaining to a small State. We could not expect to give much information to gentlemen who are engaged in investigations on so much more extended a scale.

Another point which may, perhaps, prevent large attendance here is this: Some of the questions with which you are concerned have at the present time ceased to be of interest in our community. A few years ago there was a great deal of interest in cheap through transportation. Our people to day do not feel much interest in cheap transportation, because they have it to their heart's content. It is excessively cheap.

### REMUNERATIVE RATES THE BURNING QUESTION.

The burning question in this community is not cheap through transportation but remunerative rates. And so it happens that we have heard very little of late years about the matters which most interest you. In regard to cheap rates, almost all merchants and shippers and business men will say to you that they do not care so much for the cheapness of rates as they do for stability and fairness as between one man and another and one place and another. If they can have rates that do not fluctuate violently and rates without preferences, either to men or to places, then 5 cents more or less on the rate makes very little difference to them.

### STATE SUPERVISION OVER RAILROADS.

It occurred to me that the best thing the commission could do would be to state to you briefly the way in which Massachusetts undertakes to deal with these railroad problems through its statutes, and especially through the workings of this commission. Then, perhaps, you will see whether, in your judgment, that system can be applied to interstate commerce, and with what modifications and amendments it should be so applied.

### POWER TO ALTER, AMEND, AND REPEAL.

We have here an advantage over some States in dealing with the railroad question. Every railroad charter in Massachusetts, with one exception, is subject to this provision: That the State may at any time,

at pleasure, alter, amend, or repeal the charter. And that has been applied by the Supreme Court of the United States in such a rigid manner that it gives pretty nearly absolute power over every charter. I say, that applies to every one in this State with the possible exception of the Boston and Lowell Corporation. It is very doubtful whether that is an exception. It is certain that that corporation has never, when dealing with the legislature, or with this board, sought to set up any privilege under its charter.

#### RAILROADS AS PUBLIC CORPORATIONS.

Furthermore, our supreme court has always held very strictly the doctrine that railroad corporations are public corporations, created solely for the good of the public, and that they are to be dealt with accordingly. A great many years ago Mr. Choate said to the legislature, "Railroads are made for the people and not the people for railroads;" and that idea has been adopted by the supreme court of this State. The doctrine that a railroad corporation is a public corporation, existing solely for the benefit of the people and not of the stockholders, has been stated by Chief Justice Shaw and Justice Gray, who was lately our chief justice, as strongly and as clearly as ever any Granger asked to have it stated. In addition to this it is expressly enacted that all fares, tolls, and charges shall at all times be subject to revision or alteration by the general court, or by officers appointed thereby, notwithstanding anything in any railroad charter.

#### STATE SUPERVISION THROUGH A COMMISSION.

Massachusetts, having that power, no doubt might fix rates and fares either by itself or through the commission. The State has chosen not to do so. The State has believed that it is unwise to do so. It allows corporations to manage their business in their own way, subject to State supervision, for the benefit of the people. That supervision is created, first, through the board of commissioners, of course with the reserved power of the legislature always existing (and none the less valuable because it does not have to be exercised more than once in ten years).

#### MANNER OF SUPERVISION.

The way in which railroads are supervised by the board is this: The theory is that when anything wrong is done by a corporation, and when the community is injured by its conduct, public opinion shall be brought to bear upon the company by a public investigation held before this board, the result of which is also made public by the press. And by the aid of the press, instead of by judgment and execution, justice as between the people and the railroads is enforced.

That of course is not quite all. There are a few statutes in regard to the dealings of railroads with their customers. I think there are only three direct and positive provisions of law that are worth bringing to your attention.

#### RAILROAD STATUTES.

The first is an old statute which provides that railroads shall charge only reasonable rates. That they shall charge reasonable rates, I need not tell you, is common law, and was law so far as common carriers are concerned, before this country was settled. The statute not only gives

a civil action if it is violated, but a criminal process for a penalty also. It is provided in addition that equal rates shall be given. We had supposed that this forbid all discrimination, but by the dicta of the supreme court, in a certain case it was decided that "equal" did not exactly mean equal. Being associated with the word *reasonable*, the word was known "by the company it kept" and "*equal*" means only *equitable*. That made it necessary to have another statute passed, and that statute forbids any undue or unreasonable preference or advantage, and "any undue or unreasonable prejudice or disadvantage" against any party. This is now the law of Massachusetts in regard to the dealings of railroads with their customers.

You will see that the use of the words "undue" and "unreasonable" implies the idea that there may be such a thing as a "due" or just preference or a reasonable advantage. The question what is just and what is unjust, what is reasonable and what is unreasonable, is left in the first place for the board to determine; and in case of need it may be decided by a tribunal capable of enforcing its decision by judgment and execution.

#### HOW THE LAWS WORK.

The way in which these laws work is this, to illustrate by the last case that came before the board: The manufacturers in a certain locality in Massachusetts, where there are several thriving towns and villages, felt that the price charged for coal was unreasonable. It was a burden upon their manufacturing industries; and they asked us to bring before the board the foreign corporation (as happened to be the case) which was operating this Massachusetts road, and examine into this question and tell them if we thought that their rates were unreasonable. We did so. We had a public hearing; parties were examined, rates were compared between that road and other roads doing business under like circumstances, and the board decided that 20 per cent. ought to be taken from the rate of coal; and without any litigation and without any appeal to the legislature it has been done, and it has been done without expense. That is the way in which that law works in regard to reasonable rates.

#### RAILROAD ACQUIESCENCE IN DECISIONS OF COMMISSION.

The CHAIRMAN. That was done on the mere decision of the board.

Mr. RUSSELL. On the decision of the board. The railroad apparently willingly, acquiesced in that decision, and the thing was done.

The CHAIRMAN. Notwithstanding you have not the legal power to enforce your decision.

Mr. RUSSELL. We have no legal power whatever; we have a reserved power. We could go to the legislature and say, "This is unreasonable and ought to be changed." That is no doubt a great help.

#### INSTANCES OF COMMISSION INTERFERENCE.

So in regard to the other clause as to equal rates. A gentleman came in here the other day and said, "I am a large coal dealer and I used to supply a certain district on a certain road. Another party is now supplying that district. He is underselling me ten or twelve cents a ton, and I believe that he has some preference. I suspect that he has an advantage over me in rates of freight. I don't know it, but I think it must be so, because some of my best friends are buying of my rival in-

stead of from me." We sent a letter to the president of the road, and he came up here with his counsel and we had a friendly talk of fifteen or twenty minutes; and we found that what had been suspected was true. I speak of that case because it shows an advantage in this. Instead of going to court and summoning hostile witnesses, and, after a year or two, proving or half proving a case, we have the right to look into the accounts of a railroad office and to examine into its affairs and ask such questions as we please; and railroad managers come here and answer without the necessity of issuing any summons. That whole matter was quietly settled here. It never was "a case," and the public does not know of it. I refrain from mentioning the name of the road because I do not think it would be fair. The next day this man was relieved from the advantage which his rival had. He was put on equal terms with the man who had shut him out before. When I speak of this and of other cases it is not by way of boasting about this commission. It is the system that I refer to. The same thing was done by those who went before us, and will be done by those who come after us.

Senator PLATT. Have your decisions always been acquiesced in?

Mr. RUSSELL. They have, with one or two very trifling exceptions. For example, we once directed that a station should be built, which we thought was needed on the Housatonic Road. Through neglect, I think (it being a foreign corporation), rather than from wilfulness, it was not done, and the legislature, when it next came together, passed a law, the result of which was that a very handsome station was built at once.

Senator PLATT. Do you have any difficulty in regard to rates?

Mr. RUSSELL. We have never had any difficulty with that question.

#### OPERATIONS OF MASSACHUSETTS COMMISSION.

Senator PLATT. How long has this law been in operation?

Mr. RUSSELL. Since 1869. But it has been often amended by giving additional powers to the board.

Senator HARRIS. Do your powers go any further than to investigate and give publicity to things which you investigate?

Mr. RUSSELL. That is all; except that we can report to the attorney-general or other prosecuting officer, and he will prosecute any violation of law. He will do it more promptly under those circumstances than he would if the board had not called upon him.

Senator HARRIS. Are the findings of your board taken as testimony before the tribunal in your litigation?

Mr. RUSSELL. They are not. There is no statute to that effect. The only weight they would have would be the weight that such things would naturally have. The force of them is rather in the force of the reasons for them than anything else.

The CHAIRMAN. Those findings being given by a commission created by law?

Mr. RUSSELL. Yes, sir. They are supposed also to be impartial. I said we could send to the attorney-general. It has never been necessary during the whole existence of the board to send a case to the attorney-general, except twice, where the law in regard to organization financially had been violated; never in regard to the dealings of the railroad with its customers; never in regard to discrimination, nor in regard to preferences. Every decision on these points has vindicated itself and enforced itself without being sent to the attorney-general or to anybody else.

The other law, which is worth mentioning in regard to the regula-

tions between shippers and railroads, is what we call the short-haul law, which I presume you have heard of more or less. It was first passed in Massachusetts, and was passed at the suggestion of this board, though not in the form which the board proposed. It is worth while, perhaps, to mention what the law is, and what it is not. I have seen a good many attacks upon the short-haul Massachusetts law, none of which represent it to be what it is. It is assumed sometimes that this is a law requiring you to pay as much for having freight carried over any 1 mile as over any other; that freight should always be exactly proportionate to mileage. That is not the law of Massachusetts, and we should regard any such law as absurd and unjust and impracticable. You will see this by a very brief statement. If it is just to carry a package of a certain size 1,000 miles for \$1, it by no means follows that it would be just to carry it 100 miles for 10 cents, and still less that it would be just to carry it 10 miles for 1 cent, or 1 mile for 1 mill. Yet that is sometimes represented to be the short-haul law of Massachusetts. The law is in substance this:

No railroad corporation shall charge or receive for the transportation of freight to any station on its road a greater sum than is at the time charged or received for the transportation of the like class and quantity of freight from the same original point of departure to a station at a greater distance on its road in the same direction.

Another clause applies the law to connecting roads. The law applies to freight of the same kind. The word used in our statute is "class," but that word is a mistake. "Class" is a word used technically in railroad phraseology which does not mean "kind," but means a great deal more than that. In order to come under the short-haul law the goods must be of the same kind; second, of the same quantity; third, they must start from the same point. That is very important. To hear our short-haul law discussed you would sometimes suppose that starting from one local point to another local point the rate would have to be the same as from terminus to terminus. We have no such law.

Another point is that it must be going in the same direction. There may be good reasons why there should be a difference in the charge depending on the direction. It also must be going over the same road. The law never undertook to say that for every mile of any corporation's road it should charge the same as for any other mile, without regard to the cost or the character of the service. It never said that on a poor, worthless branch the same rate should be paid as on the main line of a great through road, where the volume of business goes. It does not say that the proportion shall be the same, depending upon the number of miles, or that it shall be less for a short haul than for a long haul. It only says you shall not charge more for the short-haul of like goods on the same track in the same direction from the same point than for the long haul. The law, such as ours is sometimes supposed to be, not only has not been passed in this State, but has been proposed and rejected.

#### EVILS DESIGNED TO BE REMEDIED.

The justice of the law as it is will be made more apparent by stating the evil that it was designed to remedy. We have much produce coming here from Chicago. It comes for a certain sum to Boston. That is the general terminus. The road which brings it, say the Boston and Albany, which runs through the heart of the State, has a fixed sum for bringing that freight, wherever on its main line it shall stop. It is the Boston rate. Now, in old times freight could be stopped off at Pittsfield, in Berkshire County, or at Springfield or Worcester, on the way

to Boston. But, instead of charging the Boston rate, they could charge the Boston rate plus the large local rate from Boston up to Worcester, or Springfield, or Pittsfield. That tended to concentrate all business in the metropolis, which is contrary to all ideas of political economy, or good government, or common sense. For stopping they charged more than they did for continuing the journey. The legislature said, "this is unjust; when you switch off a car at Springfield you may charge the same as if you came on to Boston; no one will be troubled about the exact proportion of rates. There is some trouble in stopping; but when you come to add the difference between that point and Boston, it is unjust and it discourages local business." That is wise legislation, as we view it, and the law is perhaps the most popular one that we have in regard to railroad transportation.

I have seen it stated that that law was a "dead letter." The only proof furnished was that there are no indictments for violating it. That is just the evidence, as we say, that it is not a dead letter. It is so thoroughly enforced that it does not appear in the courts. My answer to that charge was this: There are other laws on the statute books as to which you find no indictments, but it does not follow that they are daily violated. We have had this law for a century or two, "No man shall marry his grandmother." We should be very sorry to have you think that this law is violated every day in this State, because no indictment has ever been found for its violation. I had a letter from a neighboring State, where this matter was in agitation, a few weeks since, in which the writer said that he hears that the short-haul law has recently been violated in Massachusetts, and he wanted to know what was to be done about it. I told that there was a murder last week in Boston, but we had not the slightest idea of repealing the law against murder, we only proposed to enforce it, and we should do the same with the other law. That particular instance to which he referred has been enforced, and enforced by this board saying to the president and directors of a company, "You are violating the act, and we advise you to stop." They conformed at once, and the law is vindicated. Parties may bring civil suits or not for past action. That is something that does not concern us. Very likely they will not, but violation of the law has ceased. This case of violation of the law—a gross one—was brought out incidentally at a public hearing on a kindred subject. It surprised the president of the company as much as it did anybody. It would not have been exposed except for just such a hearing.

#### THE SHORT-HAUL LAW NOT HARSH.

The short-haul law is a matter that is so much discussed that I would like to say one word more about it. It is asked whether it does not sometimes work harshly. As I said before, we only deal here with what we find in the little State of Massachusetts, and we find that it works well. We can hardly find an instance where there is any unjust and harsh working of that law; but frankly I think there is one case where it may be said to injure the railroad and the people of a small territory. And one answer to that objection is, "On the whole, it does so much good that we cannot think of parting with it."

#### SHORT HAUL AS APPLIED TO CAPE COD.

The only case that we know of is one that occurred on the Old Colony Railroad, which runs from Boston to the end of Cape Cod. We call that

peninsula the right arm of the State, and it cannot better be described than by crooking the arm. Here is Boston, there Cape Cod, and there the thriving town of Provincetown at the extreme end of the cape. To go around it is 120 miles; to go across by water it is less than 60 miles. I think if we had not any short-haul law, that in the season when a steamer is running over this route the Old Colony road would be likely to reduce its freights, and the people of Provincetown and of one or two other towns would be benefited. The short-haul law prevents that. It does so because if these low rates are given to Provincetown they must be given to all the stations on the way, including several large places. The road cannot afford to do that.

#### BENEFICENT EFFECTS GENERALLY OF THE LAW.

If this is urged as an objection to the law, I have already given one answer, namely, that on the whole the statute works justly and beneficially. But for another answer: I can imagine, if this short-haul law did not exist, that it might be to the interest of the road, in case it fell into the hands of less liberal men than those who now control it, to fix such low rates during the warm season as to kill off competition by the steamer. But they cannot do that to advantage under this law. So that, after all, the law at its harshest seems to do justice on the whole, and to benefit the public on the whole. It prevents the railroads from shutting off competition by waterways, which would be possible if it were not for this indirect check upon the temporary low rates—excessively low—which they might give from terminus to terminus.

#### A FINAL ANSWER TO ANY OBJECTION.

The final answer to this objection against the statute is this: That if it shall be found to work injustice, if it is found that there are serious cases which are absolutely harsh and injurious to the people, then there might be this rule: That no like freight shall be carried at a lower rate over the same route from the same point and in the same direction for the whole than for a part of the distance, provided that some proper tribunal, after public notice and public hearing, may relieve the railroad corporation from this portion of the law, so far as any special district or point is concerned—may give permission to depart from the general principle of law on account of the peculiar circumstances of the case. And if it is said that that is giving great power to a commission, I have only to say that any commission to which this subject shall ever be committed ought to be so fair, so honest, and so intelligent that it can be trusted with the power. If honest men cannot be found nothing can be done.

#### AN ILLUSTRATION OF THE WORKING OF THE LAW.

An illustration of the working of this law through the commission is given in our report for 1883. The New York and New England Railroad carried coal in large quantities from Norwich to Worcester, 59 miles, for 90 cents or \$1, the rate depending upon the quantity, while the lowest rate to the manufacturing town of Webster, 43 miles from Norwich and on the direct route to Worcester was \$1.50. Worcester was a competing point and Webster was not. On complaint of a manufacturing firm in Webster the question was heard. The railroad company was advised of the illegality of its action, and desisted from it, at a loss in various places, according to the report of its managers, of \$37,000 a



year. This prompt compliance was the more praiseworthy because a legal point on which the board relied had indeed been decided against the railroad company by the Supreme Court of the United States, but had been overruled by a State court, as it has since been overruled by a circuit court. The long delay of procuring final judgment was avoided and the yearly saving of \$3,000 to the petitioning party was secured by the expenditure of three cents for the postage stamp upon the letter which stated their grievance. Thus a crushing tax was removed from a local industry and a great wrong ceased to be done.

#### MINOR PROVISIONS OF THE LAW.

I have stated the main provisions of the statute which this board is intrusted to enforce. There are a great many other provisions which do not interest you in considering interstate commerce. The physical condition of the road is intrusted to it; the ordering of precautions; the regulation of crossings, and the like; the examination into accidents and the consideration of what may be done to prevent them in the future. These matters I suppose will be always be left to the States themselves. So also the very important subject of connecting roads and the terms upon which one road shall be obliged to take traffic from another. These are matters which are left to this board and as to which we have positive power. In these cases we give decisions which a court would enforce.

#### THE BOARD'S WIDE JURISDICTION.

There is another very wide field of recommendatory jurisdiction intrusted to this board which is hardly covered by the cases I have referred to. The only statute in regard to that is this: First, that when any twenty citizens of a town apply to the selectmen, or to the city government, and state any grievance in regard to a road or make any complaint in regard to its conduct, they shall either look into it or petition this board, or give a reason why they do not. And in either case the question comes here. The same power is given to the board, of its own motion, to examine into any grievance, or into any wrong in the operation of a road, and to advise the corporation to amend its ways and accommodate the public.

#### SUPERVISION OVER MINOR DETAILS.

In regard to the establishing of stations, a little community may think it ought to have one, and that it ought not to be obliged to go a mile out of the way to a station already in existence. They send to the board, and if the board recommends that a station shall be established at that point it is established. That has been the universal result so far. So if a station is supposed not to accommodate the people, or is not sufficiently large or convenient, they come here and have that wrong redressed. So in regard to the stopping of cars at a certain place for business. We had an illustration of that a year ago. I refer to it here because it was ridiculed severely in a leading paper in a distant State.

Two or three poor men, occupying farms, supported themselves, as their fathers had done before them, by pasturing cows and selling milk. Their farms were poor, and they could not very well raise anything else. The railroad, not wishing to make an unprofitable stop for their freight, gave up stopping, so that these men had to go a good many miles with

their milk, with the result that they could not produce it at a profit. They came here and were heard, and the road was told that it ought to stop its trains and take up the milk. It was said, "See what petty business the commission is doing, stopping a train for a few milk cans!" It did not probably occur to the critic that this was a question of life or death with these men. If they could not have the trains stop there and take the only product of their land, they could not sell it, and if they could not sell it they would have to leave their homes and go to some other place to live. We rather take pride in dealing with such matters. In this State we are "old fashioned," and respect the rights of workingmen and of poor men, even if they are few in number.

#### ADVANTAGES OF PUBLIC HEARINGS.

Of course the petitioners do not always gain their case as to accommodations or as to rates, but they have the satisfaction of being heard. And it often happens that when the circumstances are explained, they find that their grievance is imaginary, or at least that it is less than they had supposed. A public hearing on the spot often leads to a better understanding. On the other hand, it has happened more than once that when the complainants have told their story, the railroad managers have granted their request at once. Yet the time might never have come when the managers would hear the petition, had not the law appointed a tribunal, and had not the tribunal appointed a place and a day for hearing it.

I think that is about what this board does, and about what Massachusetts undertakes to do with the railroads. Whether you can apply it to interstate commerce is something for you to say.

#### THE DUTY OF CONGRESS.

The CHAIRMAN. I was about to inquire of you whether you had formed a definite opinion as to what Congress ought to do in the premises in the way of the passage of a law?

Mr. RUSSELL. I cannot say that I have formed a definite opinion. I have feared Congressional action. My prejudices are in favor of State rights and against consolidation of power. But my strong impression now is that it would be wise for Congress to try. It could enact a law on two or three settled principles—the principle of reasonable rates, the principle which forbids undue preference; the short-haul rule as enforced here—and then put it into the hands of a commission, and see whether that which works here can be made to work on a broader stage. I see some difficulties to it. Here we know every railroad president and every railroad superintendent and freight manager. We know many of the directors. We can bring personal influence to bear. This is a very small field to work in, and there would be difficulty for those who undertook to work on so large a field as the nation. I think, however, that there would be this very strong help to such a commission: The railroad companies, whether they might like the commission or not, would incline to submit themselves to its decrees, and to acquiesce in its decisions, rather than run the risk of what might follow if the commission should fail. I think, therefore, that even from those who were not quite friendly to Congressional legislation there would be some degree of support given to the commission.

## A NATIONAL COMMISSION SHOULD BE LARGE IN NUMBERS.

I will add one thing on that subject. A commission of three, acting under a law of Congress, would be somewhat in the nature of a farce. Three commissioners are enough for Massachusetts, but three would be hardly "enough to go round," as the boys say, when applied to the United States of America. A larger body could give to a small body, perhaps three, power to investigate cases. Of course the three would probably be selected by the board with some regard to their locality. A large board, with a small quorum for each case, if legislation were thought advisable, would be the true course.

## POWERS OF MASSACHUSETTS COMMISSION SUFFICIENTLY EXTENSIVE.

Senator HARRIS. In your opinion, should a national commission have other powers given it than those given to the commission of Massachusetts?

Mr. RUSSELL. I do not recall any point upon which I think they should have other powers.

Senator HARRIS. Do you think it would be quite sufficient to clothe the commission with powers to investigate, remonstrate, and report facts?

Mr. RUSSELL. That with the added power, in case of violation of law, that they may call upon the prosecuting officer to do his duty.

## JUDICIAL DECISIONS.

Senator PLATT. Can you refer us to those cases decided by Chief Justice Shaw and Judge Gray that you speak of?

Mr. RUSSELL. I will give these citations, which are written in my diary for constant reference:

The chief characteristics of a railroad corporation under the laws of this State are that it is created mainly for the public benefit, and only incidentally for its own profit, &c. *C. J. Gray, Boston and Worcester R. R. vs. Western R. R.*, 13 Allen, 105, 106.

The accommodation of travelers, of all who have occasion to use them at certain rates of fare, is the leading object and public benefit for which these special modes of using the highway are granted, and not the profit of the proprietors. The profit to the proprietors is a mere mode of compensating them for their outlay of capital in providing and keeping up this public easement. *C. J. Shaw, Commonwealth vs. Temple*, 14 Gray, 69, 77.

These special quotations give in brief the doctrine on which many decisions are founded.

Senator PLATT. Do you think that the doctrine that a railroad exercises the delegated power of the State, and that it ought to assume its obligations and duties to the public has been weakened in any way by the passage of so many general railroad laws which make railroad building so easy?

Mr. RUSSELL. I think not. It seems to me that the State has never intended to part with its power. There are some high authorities to the effect that the State cannot by legislation part with its power to protect the people.

Senator PLATT. We found some witnesses in New York rather holding to the idea that since railroad building has been made so easy under the general railroad law the force of that doctrine has been very much weakened.

Mr. RUSSELL. It seems to me that the parties who have built neces-

sary railroads, or unnecessary railroads, have all built them with the full knowledge of the law as it existed. It has been laid down over and over again, and they ought to have known it. Certainly they can get no greater right under a general law than under a special charter.

Senator PLATT. In looking over your Massachusetts law I find that in 1882, chapter 94, "An act to prevent discrimination in freight rates by railroad corporations," was passed, and then in the same year it was repealed and another act passed in its place.

Mr. RUSSELL. Chapter 225.

Senator PLATT. The first law provided in effect that no railroad should discriminate in charges for freight transportation in favor of or against any person, and that no railroad should demand or accept a higher or lower rate from one person than is demanded and accepted from any other person. That seems to have been abandoned, and chapter 225 was passed, which provides that a railroad company should not give undue or unreasonable preference or advantage to or in favor of any person, firm, or corporation, nor subject any person, firm, or corporation to any undue or unreasonable prejudice or disadvantage. Can you give the reason for the passage of that law?

Mr. RUSSELL. That is a very interesting chapter, which I shall be happy to give you. In the first place, chapter 94 was passed on account of a decision of the supreme court, to which I have already referred. We thought our old law was sufficient; and that no part of this new law was necessary. The old law said, "Reasonable and equal terms." The supreme court struck out the word "equal," and this seemed to legalize discrimination. Therefore chapter 94 was passed; and that act, as I construe it, is just right; it forbids unjust discrimination; it forbids taking higher or lower rates for like service. Those are vital words, "for like service." But one of the leading railroad corporations in this State, which did not like the legislation, undertook to construe that phrase more strictly than any lawyer had ever construed it when it was proposed, and more strictly, I think, than any court would have construed it. It said, "We must charge just the same to every shipper, no matter what the circumstances are." They did not give due force to the words, "like service," as it seems to me. They gave notice, and sent circulars all over the State, saying, in substance, that henceforth they should charge the same rate to every shipper; and they created, unintentionally, the idea that they would charge the same rate for carrying a thousand barrels of flour that they would for carrying one barrel; that they would charge the same rate per pound for carrying a car full of goods that they would for carrying one little package; that they would charge just so much per pound in every case.

#### CHAPTER 94 CREATES A PANIC.

That created a perfect panic amongst the shippers and manufacturers. People said, "If that is the law of Massachusetts, we will not have our goods come by the way of Boston; they must come by the way of New York." It was said that there were cablegrams sent to Liverpool countermanding the sending of goods that were to come by Boston, and having them sent to New York. The circular was not justified by the law, and the panic was not justified by the circular. It was a very unreasonable panic, as it seemed to me, but it actually existed, and the only thing to be done was to meet it. The commission went up to the legislature and asked it to change the law, and it was changed. The legislature was advised to use words which could not be mistaken by

any corporation, however timid, however ingenious, or however mischievous.

That was done to meet the strained construction of the law; and this second act was passed.

You will say, "Why could you not discipline that corporation; why did you not enforce the law?" Simply for this reason: They were taking the strictest possible construction of it; they were saying, "We are going to live up to that law; we will live up to it to the last hair's breadth." We would not say there was any law to punish them for charging equally. There never has been any statute which says you shall not charge equally.

That second act is copied, word for word, from an old English statute, which has been upon the books for more than a quarter of a century, and which has been interpreted by the board of trade, and by the various tribunals that have administered the laws of England. We think that it is of very great value, and, perhaps, word for word, it is the best law that could be passed.

#### LOWER RATES TO LARGE SHIPPERS REASONABLE.

Senator PLATT. Do you recognize the reasonableness of a lower rate to a large shipper than to a small shipper?

Mr. RUSSELL. Certainly; to a certain extent, without a doubt. A shipper who has a large amount of goods to ship at one time ought to pay less, because it costs less to haul his freight. It is the difference between wholesale and retail. The difference between carrying a barrel of flour and a car-load is manifest.

#### UNIT OF TRANSPORTATION.

The CHAIRMAN. Do you recognize any unit, say a car-load, and advise a like charge on that unit to all, whether one man has 100 cars or 1 only. Do you think the charge should be so much per car, without referencé to the number of cars?

Mr. RUSSELL. As a general rule, I suppose the car-load is the unit. There may be exceptions to the general rule, but the question whether the whole amount of business done in a year can be considered is an open question and one frequently discussed. It is one that has been in some form often before the board. The general consent of opinion is that if a dealer, in the course of the year, has a larger amount of business than his neighbor, he is entitled to a moderate allowance. That, I say, is the general opinion of shippers. Whether it will stand in law, or whether it ought to stand, is a point which I hardly feel competent to decide, although the board may have to decide it any day; and it is awkward to answer as a witness a question that I may have to aid in deciding as one of the commission.

Senator PLATT. If you make the difference a large one in favor of the large shipper, the tendency is to concentrate business still more in the hands of that large shipper, is it not?

Mr. RUSSELL. Certainly. No one would allow any considerable difference; it is only a moderate difference that any railroad here thinks of making, or that the people would permit.

Senator PLATT. Since the passage of this law of 1882 have you had many complaints of undue preference?

Mr. RUSSELL. There have been only two. I have referred to them both. They have both been settled without any trouble.

Senator HARRIS. Is there really any difference in the cost to the common carrier between transporting for one shipper 50 car-loads or 1 car-load each for fifty shippers, they being ready for shipment at the same time?

Mr. RUSSELL. I think there would be a trifling difference. Of course there is some difference as to billing and settling accounts. There would be a difference in regard to the delivery and to the placing of the cars for the delivery of their contents. There would be a little more switching if there were 50 cars for fifty customers than if there were 50 cars for one customer.

Senator HARRIS. Even though the cars all start from the same depot and are delivered at the same depot?

Mr. RUSSELL. They would be delivered at the same depot, but the articles would not be taken away from exactly the spot of arrival. One car would be discharged and the other moved up, or something of that kind. There would, perhaps, be enough to make a little difference. Manufacturers doing a large business receive a great many cars at one time, and those cars are set off on the side tracks, and then the railroad is free from any trouble; but, if you take 50 cars for fifty men, those 50 cars cannot be unloaded in a string. They come down to the station one or two at a time and are discharged. The difference is slight, and the allowance, if any is made, ought to be slight.

Senator HARRIS. Of course that consists only in terminal charges?

Mr. RUSSELL. I ought to add that sometimes the railroad may be put to inconvenience by having large amounts of freight at one time. I have heard good railroad managers express a preference for single car-loads. The general rule, undoubtedly, is that the car-load is the unit. Questions rarely arise as to the number of cars received at one time. Questions, as I have said, often arise as to the number received in the course of a year.

Senator MILLER. You intimated, at the beginning of your remarks, that the people of Boston and Massachusetts were, perhaps, less interested in the question which this committee is investigating than are the people of some other portions of the country, because you had settled your railroad troubles here for yourselves. Is not Boston, as a sea-port town, greatly interested in the question of interstate charges upon grain and produce to be shipped from the West to the sea-board?

#### PRESENT FREIGHT CHARGES EXTRAVAGANTLY LOW.

Mr. RUSSELL. Certainly. My point was that just at this time, or for the last two or three years, the charges had been very low. They have been extravagantly low. The interest of the capitalist who has invested in the railroads somewhat outweighs the interest of the merchant. No merchant is complaining now of his through rates. Perhaps they fail to see the scope of this inquiry and the possible result of legislation.

Senator MILLER. How far is Boston from Chicago?

Mr. RUSSELL. A thousand miles, in round numbers.

Senator MILLER. It is farther than from Chicago to New York?

Mr. RUSSELL. Yes, sir.

Senator MILLER. And it is farther than from Chicago to Philadelphia, or to Baltimore?

Mr. RUSSELL. Yes, sir; certainly.

## A PRO RATA LAW DESTRUCTIVE TO BOSTON FOREIGN COMMERCE.

Senator MILLER. How would a Federal law requiring a pro rata freight affect the foreign commerce of this port?

Mr. RUSSELL. It would destroy it.

Senator MILLER. It would destroy it absolutely, would it not?

Mr. RUSSELL. Yes, sir; practically. It would stop export trade, and in time imports would fall off.

## THE LONG AND SHORT HAUL.

Senator MILLER. How would a Federal law prohibiting the charging as much for a short haul as for a long haul affect Boston. In other words, a law stating that a railroad should not charge as much for 900 miles as for 1,000?

Mr. RUSSELL. It would injure Boston very seriously. I suppose we would try to live. We still have one advantage. We are twenty-four hours nearer England. That gives an advantage, especially in the export of live animals.

Senator MILLER. Why should not the ports along the sea-board which are nearer the great fields of the West, like New York, Philadelphia, Baltimore, and Newport News, have the advantage which comes from that fact?

Mr. RUSSELL. The only reason that occurs to me is the advantage of keeping open a number of competing ports and of competing lines. I should like to find some other reason, but I think that is enough.

Senator MILLER. Whilst Boston has rates which are sufficiently cheap, still you are as much interested in the question of rates and as to the method of regulating them—whether they shall be pro rata or shall distinguish between short and long hauls—as any other sea-port?

Mr. RUSSELL. We are very much interested. If the shippers or railroads find that they can get along well by making the ports equal, by making the rate to the further port equal to the rate of the port which is a little nearer to Chicago, we are very anxious to be let-alone in that respect.

Senator MILLER. Of course I can see that Boston is very much interested in that question. Can you tell us what the regulations are in regard to the shipments to Boston of grain—our principal produce which goes abroad—as to equality of rates with the other ports. How is that treated in the pool?

Mr. RUSSELL. It is treated as equal to that of New York. The rate has been 5 cents more per 100 pounds, except for export trade. For this they have recognized the importance of keeping open all the ports, and Boston is as cheap as New York in that respect.

Senator MILLER. How is that done?

Mr. RUSSELL. That is done by the through bills of lading. I have understood that the extra 5 cents has been taken off in regard to domestic freights of grain and flour at present. All freights are, in railroad language, "demoralized."

Senator MILLER. Is this port treated as all the rest of the ports are in their rates?

Mr. RUSSELL. It is treated just as New York is.

Senator MILLER. Did they not at one time make lower rates to Boston than to Philadelphia or to New York?

Mr. RUSSELL. I do not think it was ever lower. I would not be positive as to that. If Mr. Lincoln were here he would answer that question.

## DISCREPANCIES IN POOL RATES BETWEEN DIFFERENT PORTS.

Senator MILLER. Discrepancies have been made between different ports by the pool, as I understand it, and upon this basis: That the rate of freights from some ports to Liverpool, for instance, was less than from other ports on account of the large amount of shipping coming to those ports in competition for the ocean-carrying trade, and I have understood that the pool had gone so far as to correct that by giving one port a less rate than another. Do you know anything about that?

Mr. RUSSELL. We certainly have never had that here to my knowledge, and never in my belief. In regard to New York and Philadelphia and Baltimore, I do not know. I have understood that there was a difference of 2 or 3 cents between Baltimore and New York, and between Philadelphia and New York.

## PRO RATA FREIGHTS NOT FAVORED.

Senator MILLER. Your people would not favor a Federal law prescribing pro rata freights in interstate commerce, would they?

Mr. RUSSELL. They certainly would not.

The CHAIRMAN. What is your opinion as to the existence of pools? Are they of public benefit, or are you opposed to the pooling system?

Mr. RUSSELL. I do not think it calls for any legislation. Just at present it seems to be breaking down of its own weight. I have heard of the proposition to legalize it. It always seemed to me that this, with great respect for the wise men who advocate it, is anything but wise. The railroads can make contracts with each other now, and those contracts can be enforced, provided they are not absolutely illegal or contrary to public policy. If they are legal they can be made. If they are not they ought not to be made. If they are so clearly contrary to public policy that the courts will set them aside, Congress ought not to legalize them.

## POWER OF COMMISSION TO SUPERVISE POOL CONTRACTS.

The CHAIRMAN. Would it not be your judgment that that subject should not be interfered with, but that a commission should have the power, if one should be appointed by Congress, to examine these contracts and pass upon the question of whether they interfered with the public interest or not?

Mr. RUSSELL. That would be the utmost that I should think ought to be done.

Senator MILLER. Do you not think the pooling arrangement thus far has been a great benefit to Boston? How could you expect to maintain the same rates for any length of time, or how could Boston expect to get the same rate of freight from Chicago to Boston as obtains from Chicago to Baltimore unless there was an arrangement between the trunk lines controlling it?

Mr. RUSSELL. There is great force in the suggestion, but I do not think it would be right for Boston to call upon Congress to legislate to that end. If it is right and just we will get it. If it is wrong and unjust we ought not to call upon Congress to give it to us.

## THE LAWS OF TRADE THE BEST REGULATOR.

Senator MILLER. I understood you to start with the theory that there were good and sufficient reasons why, on foreign trade, the rate



should be the same to all sea-port cities. If that is correct ought there not to be Federal control which would bring that about?

Mr. RUSSELL. I am inclined to think that that is carrying legislation too far, and that the laws of trade had better be left to regulate that matter; certainly until some greater grievance has risen than any that now exists.

Senator MILLER. You stated a moment ago that one of the most desirable things was not so much cheapness of rates but absence of discrimination. Is it not true, under the pooling arrangement, which is not a legal arrangement, and which cannot be enforced by law, that some of the chief complaints made have been as to the uncertainty of rates? That a rate is 25 cents to-day from Chicago, and to-morrow, without notice to the business community, it may be reduced to 15 cents; that perhaps some merchant may have advance knowledge that a reduction is to be made, and he takes advantage of it, thus enabling him to destroy his competitors in the same business. When he has knowledge that the rates are to be reduced it enables him to sell grain short, for instance. What do you say about requiring publicity of rates, if they are to be changed, so that all shippers and merchants may have the same notice, and may govern themselves by it?

#### PUBLICITY AND STABILITY OF RATES WANTED.

Mr. RUSSELL. I think that would be a wise provision. Publicity of rates, and stability of rates for a certain time, is what is wanted. The manner and details are a subject for careful consideration.

The CHAIRMAN. Does your law require publicity of rates in the State? I do not remember the statute.

Mr. RUSSELL. It does not require any publicity. There is a nominal publication of tariff rates by each road, but not required by law, and tariff rates are not always observed.

Senator MILLER. Your rates here are substantially permanent, whilst they are fluctuating for the long distances from the West to the East. Publicity, and permanency of rates as to those long distances are of the greatest importance to every man forwarding grain or farm produce from the West.

Mr. RUSSELL. They certainly are.

#### HOW DIFFERENCES IN RATES AFFECT SHIPPERS' PROFITS.

Senator MILLER. A difference of a cent on 100 pounds, or of half a cent on 100 pounds, upon a steamship load of grain might be more than the entire profit of the transaction. If the rates were changed without notice certainly great injustice might be done, and particularly so when it is charged that advance information is given by the railroads to some of their favored men, or to those whom they desire to favor in the shipment of grain.

#### DIVERSIONS OF FREIGHT.

Mr. RUSSELL. There is one other matter in connection with the pool that I wish to speak of. That is, the proposition that the diversion of freights should be forbidden. I have hoped it would not be forbidden by legislation, for that would be an admission that it is not illegal now. It is clearly settled now. If a man orders his freight sent one way, and the common carrier sends it another, that is a conversion of goods, for which trover, or some other proper remedy, would lie at once. This is recognized by the courts and could not be improved by statute.

The CHAIRMAN. What is your judgment as to this pooling system; if a man in Boston or New York wants to ship a car-load of goods to Chicago or to any Western point, has it not been the custom under this pooling system for the head of the pool to say that those goods must go on whatever road he indicates, without reference to what the shipper had to say about it?

Mr. RUSSELL. I cannot speak as well as some others here on that point; but I think that it has not been customary so much in regard to freight from Boston as from other points. The courts have recently given such decisions that I think that practice must soon come to an end, if it has not ceased already.

Senator MILLER. It has already come to an end in New York.

Mr. RUSSELL. I supposed that was so.

### EDWARD ATKINSON'S STATEMENT.

EDWARD ATKINSON appeared, and said:

Mr. Chairman, I am here at your request, but I am somewhat in the condition of an exhausted receiver upon this subject. I have already put in print pretty much all I know about railroads. I have had no experience whatever in the management of railroads. For twenty-five years I was a large shipper and receiver of freight, and during that time my attention was called to what might be called the philosophy of the railroad service. Since then, having gone into other occupations, which left me a good deal of leisure for study, I have studied the railroad system as a part of the social economy, as you are probably aware. I shall not exceed half an hour in my statement, unless I am kept on the stand by yourselves.

In following Judge Russell's remarks, you will observe that we, in Massachusetts, are very profound believers in local self-government. We do not desire to be interfered with beyond the necessity of the case, neither do we desire that our public corporations, organized in the public service, but also for the private profit of the stockholders, shall be interfered with beyond the necessity of the case.

### RAILROAD STATUTES OF MASSACHUSETTS.

There have been in Massachusetts and in other States three classes of statutes for the regulation of the railway service, according to my observation. The first class of statutes makes legal provision for that which common sense would soon have called upon the railroads to adopt for their own profit and benefit. The second class of statutes are those which have become inoperative, like a law against profane swearing in Massachusetts. The third class of statutes for the regulation of the railroads, are those which have been so obnoxious that they have been speedily repealed. I think myself that more progress and benefit to the public has been made in the railway service than in almost any other branch of industry by the repeal of obnoxious statutes than by the enactment of new ones.

### RULES ADOPTED BY THE RAILROADS.

You will observe also that certain rules have been adopted by the railroads themselves which are the equivalent of statutes, so far as they have been operative. These have obtained the name of pools. These

substitutes for statute laws are now being voluntarily given up, being somewhat like the third class, they have done more mischief than benefit. Those corporations, like the Pennsylvania Railroad Company, whose stock and bonds represent actual cash, and who know that no one else can do the work as well or as cheaply as they can, have never, I believe, gone into the pools.

#### THE PENNSYLVANIA RAILROAD WONDERFULLY EFFECTIVE.

That particular railroad corporation and its branches is the most wonderful and effective machine now in the public service of this or any other country. You will observe that those railroads which are set up as most obnoxious monopolies, in the ordinary controversies upon this subject, are those which are doing the largest service to the public at lowest charge. I need not name them. They are the great through lines.

#### MASSACHUSETTS JEALOUS OF INTERFERENCE.

Now, why is Massachusetts so jealous of interference? Because, having come to the conclusion that meddlesome legal interference is obnoxious and injurious, and having acted for many years upon that policy and principle, we have now the most adequate railway service of the world. We have 1 linear mile of railroad to each 4 square miles of area. There is nothing like it in the world. Belgium approaches it, England approaches it, but no other country equals it. In one of my little pamphlets, which I will hand to you, you will find that fact laid out, and all other countries compared to Massachusetts. In this State the railroad commission deals, *as a board of arbitration*, with both the domestic and foreign corporations operating in the State, and with the least measure of coercion it has remedied substantially all abuses. There is nothing left of any consequence to be regulated by Congress.

Can you do in Congress for the railroad service what Parliament undertakes to do in the way of specific legislation for Ireland, *i. e.*, legislate at Washington for Massachusetts on all the details of transportation? Perhaps you can, and with precisely the same results, only in less degree. Witness the confusion, disturbance, and lawlessness in Ireland, and the futile attempts on the part of Parliament to reach the evil by specific statutes passed in London. Attempt this same thing in Washington, and you will have the same disturbance, and the same obnoxious conditions in the Massachusetts railway system, or in that of any other State. Home rule is a necessity in more directions than one.

#### STATE RAILROADS A FAILURE.

The only lines in Massachusetts which have been a dead failure are those which the State has interfered with most, and to which it has lent its largest credit. In the early days of railroads it was, perhaps, suitable that the State should grant its credit to get the railroads started, this was done in the case of the Western Railroad, from Worcester to Albany, in its day a tremendous undertaking. In the early days of canals it was, perhaps, suitable that the State of New York should grant its credit to build the canals, because private persons could not do it themselves. They had not learned how. But what was judicious once has since proved mischievous. Massachusetts has loaned its credit to other railroads in the attempt to secure cheap bread for its people. That was the pretext. The result of that has been that the State is burdened

with a debt of about \$20,000,000 on the Hoosac Tunnel and the New York and New England—late the Hartford and Erie Railroads—both of which are of the slightest possible service, both of which are a bill of cost to the State.

The interest which the State pays annually on that debt, incurred for the ostensible purpose of cheapening bread, would move all the bread that the people of Massachusetts eat in a year 1,000 miles, from Chicago to Massachusetts, with a large margin over for the movement of a part of the meat. Instead of getting cheap bread by the intervention of the State, we have moved the prairies 1,000 miles farther away than they were before we tried it. We have no benefit of competition, because it is the competition of product with product in the great markets of the world that controls the rates of traffic on the railroads much more than the competition of rail with rail. But we should have had competition; we should probably have had it more effective and better than we now have it, in my judgment, had the State kept its hands off and allowed railway construction to proceed in the usual manner, as it has in other places.

#### MAGNITUDE OF RAILROAD INVESTMENTS.

This railway service appeals to you because of its apparent magnitude. It seems to be a subject for the Senate of the United States and for the Congress of the United States to take up, owing to its enormous proportions. One-fifth part of all the capital of the country, one-fifth part of all that has been saved from the hand of man and placed upon the land consists of railway property to-day. It is the largest single item of capital. By way of computation we have obtained 125,000 miles of railway at a nominal cost of \$7,500,000,000, probably at a true cost in cash of \$5,000,000,000. There is no property within the limits of the United States which has on the whole proved to be a better investment upon the solid cash paid in than the railway properties of the United States. I believe I concur with the views which Mr. Poor has presented to you, that the railway service of the United States to-day pays a better interest as a whole on the solid cash that has been put into it, disregarding the watered stock, than any other investment of any great magnitude.

#### WATERED STOCK.

The CHAIRMAN. Have you very definite information as to what proportion of the apparent capital invested in railroads is really watered stock?

Mr. ATKINSON. No; I have nothing but a general inference from looking over various railway reports and studying the larger enterprises. I do not think that it would be possible to find the proportion of water with any absolute certainty. I have an impression that in the \$7,500,000,000 of nominal bonds and stock, about one-third would be found not to be represented by water so called, and two-thirds to be represented by actual cash payments. What it would cost to-day would be another matter, because even the cash payments were expended at much higher rates of cost than would now obtain, as you are well aware.

In that service, at the rate of five men to a mile, there are 650,000 people employed in this mere mechanism of the distribution of products. That was the average in the census year. I will not go into the number employed in construction, because that would be aside from the point; it is treated in my books. Now, when you look at this subject in

this light of inconceivable millions, and when you find what appear to be certain abuses, it seems as if it were one of the subjects which the highest power in the nation ought to take hold of and try to remedy. Let us try to find out what it really amounts to, and what you can do about it. What is your object, if you undertake to meddle with it?

#### OBJECT OF INTERFERENCE WITH RAILROADS.

Your object is that the service performed may be done as cheaply as circumstances will permit, as equitably as circumstances will permit, and as effectually as it can be with fair rate upon the capital invested, and with due regard to justice to those who consume the products moved. The railroad is a producing agency; a leading forth, according to the etymology of the word, of the products of the soil and the forests and the mines to the uses of man. It is one of the most effective of the producing instrumentalities of the country, and also one of the most beneficent. There is no charge made to the people of the United States who are the consumers of products moved by rail which represents on the whole so reasonable a charge, or so great a reduction in the cost of the service during the past twenty years as the charge for railway service.

#### SERVICE OF RAILROADS REDUCED TO THE INDIVIDUAL UNIT.

We will reduce it down, if you please, to the unit of the individual, and see what interest each one of us has in it. You are legislating for the common people, trying to do for them what they cannot do for themselves. That is the only justification on which you can base any legislation. What you can do better for them than they can do for themselves is fit for you to undertake, and nothing more. Let us see, now, what you can do in this matter, and within what limits will be the measure of your work. Dealing in round figures, these railways move about 400,000,000 of tons a year. It is immense. Of what does it consist? Half of it is food and fuel. Half of life is the struggle for food and fuel. Half of the income of every man who works for his living, and belongs to the so-called working classes—I use the term without any obnoxious distinction—half of the life of 90 per cent. of the people in this community is a struggle for food and fuel.

#### THE STRUGGLE FOR BREAD AND FUEL REDUCED BY RAILROADS.

The railroad has reduced that struggle in greater measure than any other instrumentality that has ever been applied since the introduction of steam. Why? Because it has brought the measure of time and distance, *i. e.*, the movement of a year's supply of food for the mechanic in Massachusetts a thousand miles, down to the measure of one day's labor. If a mechanic will give up one holiday a year he is placed alongside of the prairie, and distance is eliminated from his condition. What does it amount to in gross? For the movement of that fuel, clothing, food, and means of shelter, which constitutes the great bulk of railway service, five or six hundred millions of dollars a year is paid. It is almost as heavy a charge as taxation.

#### AGGREGATE TAXATION EXCEEDS RAILROAD CHARGES.

The aggregate taxation of the people of the United States—State, national, city, and county and town—was \$700,000,000 in the census

year; it is as much as that now. It is more than the railway charge. There is where legislation may rightly come in. You gentlemen of the Senate can reduce taxation much more easily and suitably than you can regulate railways. But now let us see what this railway charge comes to, by the unit of the individual. These five or six hundred millions of dollars are a charge of 5 to 6 per cent. on the aggregate value of the whole product of the United States at its maximum. Assign to each person who was engaged in any kind of gainful occupation, of the seventeen and a half millions who did any kind of work, mental or manual, productive, distributive, or administrative in the census year—assign to each one of those \$600 a year, and you have the maximum of the product of the United States. It is \$180 to \$200 per year to each person at the maximum.

#### FOUR CENTS PER DAY PER CAPITA.

If we reduce the value of this railway service to the measure of a day in order to bring it within our comprehension, and present to you the terms of the problem on which you are called to legislate, the interest of each one of us, counted as a single person, in this subject, is between 3 and 4 cents a day. How much can you save me on 4 cents a day which I now spend for railway service for each member of my family, at the maximum. My family consists of ten persons. I am subjected to a tribute to the railways of the United States of 40 cents a day. By what possible legislation can you make that easier for me to bear? If you cannot make it any easier, you had better let it alone, in my judgment.

That is the measure, and it is a pretty equal measure, because this railway traffic goes by weight and bulk, and not by quality, and each person needs just about the same number of ounces of food and yards of cloth and tons of fuel. There is not much difference. The workingman eats just as much in weight as I do, and perhaps a little more, because he works with his muscle.

#### THE RAILROAD PROBLEM.

The problem which you have before is just this. This enormous beneficent force which has worried its way along in spite of obstructive legislation, and which has also worried its way along in spite of the fact that it has been made the instrument of more fraud and corruption by individuals in high position in the railway service than any other art that has ever been undertaken, has yet come to this: That by its intervention, at a cost of 40 cents a day for my family of ten persons, I am placed within easy distance of every product of the world that I desire to consume. If you can reduce this charge by legislative interference it might be judicious to do so. How are you going to do it?

#### ALL LAWS DETRACT FROM PERSONAL LIBERTY.

All laws act aggressively by taking away from individuals a part of their liberty. If they are using their liberty to promote injustice to others, take it away from them. If, on the contrary, in spite of all these obstructions, they have made use of their liberty, either as individuals or members of corporations, or in the conduct of corporations, to the most beneficent end that has yet come within the power of men to compass, then, I say, let them work the matter out under the same higher law of the competition of product with product to its ultimate conclusion.

## THE SHORT-HAUL LAW.

You observe that we have in Massachusetts but one coercive statute. That is the short-haul law. And, as Judge Russell said, the short-haul law is consistent with common sense. If it is consistent with common sense, the common sense of the railway managers would probably have evolved that law a little later had there been no such statute passed. It would be contrary to the common sense of railway managers to long continue to impose destructive rates upon their local traffic. Many of them had discovered these abuses, and of their own motion had stopped them, I believe, before the short-haul law passed.

Senator MILLER. What need of any law, then, if you can trust society to judge what is best?

Mr. ATKINSON. A very pertinent question, and one to which I would reply, What need of any law? I would answer with your own question; what need of any law for the restrictive control of any person who serves another fairly? The more you interfere by law the more you obstruct the service of person to person, and the more injury you do. I have no hesitation in answering that as a general proposition.

## LIMITS OF LEGISLATION.

Senator MILLER. Then, your proposition leads to the result that there is no law needed to regulate commerce, because the common sense of the men engaged in commerce would lead them to regulate it properly and fairly. I thought the use of laws was that they could be used as against men who would not take that view.

Mr. ATKINSON. That is a most logical deduction, and it will be a vast benefit to the people of the country when Senators and Representatives in Congress come to such true conclusions. In all commerce men serve each other, and the true limit of legislation is to punish fraud and enforce contracts. In the matter of the railway service the law of common carriers has been gradually evolved, and it suffices to prevent injustice and wrong. It suffices in Massachusetts, and all other coercive laws have been found obnoxious; a simple board of arbitration is all that is needed.

There are certain principles which have become evolved and which are consistent with the social order of society, to which society has adjusted itself, and without which it could not live; and I would limit the strictest possible point, leaving the higher law of true commerce, under which men live and serve each other, to work out its just result.

In order to answer your question more fully I will now come down to greater abuses than exist in the railway service, although my half hour is nearly out.

Senator MILLER. I do not wish to lead you to go outside of this examination.

Mr. ATKINSON. Not at all. In pursuance of my argument I beg to suggest to you to begin with a simple problem rather than with this extremely complex one of railway distribution, which has taxed the biggest brains and the ablest men of the country, who have not yet succeeded in solving it to their own satisfaction. I beg to call your attention to the excessive cost of retail distribution.

## THE BREAD PROBLEM.

I have made use once or twice, and shall be obliged to make use again, of my bread problem. We desire in Boston the bread of Dakota.

That wheat is the best. It is 2,000 miles away. It is brought from Dakota to Minneapolis, and then from Minneapolis to Chicago, and from Chicago to Boston. The rates from Dakota to Minneapolis are a little higher than on this side, owing to circumstances; from Minneapolis to Chicago they are a little lower; from Chicago to Boston they are such that if the railway company could secure permanently the value of the empty barrel as its profits for bringing the barrel of flour a thousand miles, that empty barrel being worth 22 cents, it would be better off, so far as profit is concerned, than it is now. The entire profit of the New York Central Railroad for moving a barrel of flour from Chicago to New York is less than the value of the empty barrel after the flour gets to New York.

Now, how is it about the bread? There are public corporations, such as express companies, which are engaged in the distribution of flour, and it cost me a quarter of a dollar to get a barrel of flour from Boston to Brookline, 5 miles distant from Boston. What an unjust discrimination, is it not?

Again, even if I do not make use of the public express company, and if I try to get my flour from Boston to Brookline over a branch of the Boston and Albany Railroad, they refuse a single barrel as freight and on a car-load charge me 10 to 15 cents a ton per mile. That branch pays the Boston and Albany Railroad a most exorbitant profit.

#### RAILWAY SERVICE CHEAP.

My barrel of flour can be brought from Dakota to Boston at a cost of about half a cent a ton per mile and then it is subjected to a charge of 10 to 15 cents a ton. If you intend to regulate railway charges I beg you to begin right here. How are you going to do it? Is it beyond your power? Perhaps so, yet in this petty retail traffic will be found a burden to the consumer far greater than the whole railway charge. If one part of the work is undertaken let it be first that which is most onerous.

The railway serves us well. I only bring in the Brookline Branch to show how conditions of necessity vary the necessary charge for service.

#### RETAIL DEALERS' SERVICE COSTLY.

Let us return to the bread. You can raise your wheat, bring your flour from Dakota to Boston, pay the cost of milling it, pay the cost of moving it, and pay the cost of baking it; and the bread then stands at cost less than  $3\frac{1}{2}$  cents a pound in Boston (to-day less than 3 cents a pound) with a profit all along up to that point. The distribution of that bread brings it to the mouth of the consumer at from 5 to 8 cents a pound. Now, while you are fiddling over the rates of charge by railroad, which amount to so small a fraction in the price of a loaf of bread that you can hardly compute it (and if you compute it you cannot comprehend so small a fraction), here are the poor in Boston suffering for the want of bread, because the distribution of bread goes on in this costly and obnoxious manner by way of unregulated grocers' shops, bakers' carts, and butchers' wagons.

#### REGULATION OF PUBLIC CORPORATIONS.

Senator MILLER. Is there not a little difference between the right of the Government to regulate a public business like that of a railroad, and the right of the Government to regulate the charge of a baker for baking a loaf of bread?



Mr. ATKINSON. I can see no particular difference between a railroad company and an express company, and no particular difference between a railway corporation and a milling corporation.

Senator MILLER. Does the express company which runs a wagon through the streets of Boston have the same rights that a railroad company has, such as the taking of private property for its own uses by right of eminent domain?

Mr. ATKINSON. The streets have been taken by right of eminent domain for highways.

Senator MILLER. They have not been taken by any individual, have they?

Mr. ATKINSON. No, sir; neither under the general laws of this or other States can any one railway corporation obtain a monopoly or exclusive right to take a line and build a road. Under such general laws construction of parallel lines has gone too far, and now the complaint comes up to interfere by legislation for the protection of the railways, just as it happened once in Belgium. In Belgium private companies owned a part of the railroads, and the State another part. The State had to interfere because the private railways were doing the work too cheaply, and the State railways could earn nothing. I do not see any difference in principle.

Senator MILLER. A difference, I think, has been generally recognized by the courts in all civilized Governments, between the power of Government to regulate a corporation doing public business and an individual doing a private business.

Mr. ATKINSON. I do not deny the power of the Government under the decisions of the courts as they now stand. Some of them are very obnoxious decisions. I do not think there is any reason to doubt that the Government has the power to interfere with private persons or artificial persons known as corporations, as well as with railroad corporations. There is the noted case in Illinois of *Munn*, which is in point—the control of private elevators was sustained—and the water-works case in California. And now I observe the State of Illinois is trying to fix the price of telephone charges. What next?

Senator MILLER. As I understand you the railway problem is solving itself, and whatever discriminations there have been, when brought down to the private individual, are so small as not to be worthy of consideration by legislation, and, therefore, they ought not to be interfered with. Our investigation has been turned to another direction. It is claimed that as injustices are done and are practiced upon the people of the country we are to inquire as to what those complaints are, and then as to what the remedy may be. Of course if you take the ground that there are no injustices of any consequence practiced by the railway companies, I can very well understand your argument. In that view no remedy is required. No Federal law is desirable from that standpoint. I wish to get at your position.

#### REGULATION BY LOCAL AUTHORITIES SUFFICIENT.

Mr. ATKINSON. That is the position which I take, that while there are now minor abuses, while there have even been such abuses within the limits of Massachusetts, the local authorities have found the way to abate them. With respect to the general service, which is what Congress must treat if it treats anything, they are so small that the

danger would be much greater of obstructing the service, making it cost more and do less, by any interference of Congress than the reverse except to this extent.

#### NATIONAL BUREAU OF RAILROAD STATISTICS.

One part of your undertaking I should sustain most fully, and that is the establishment of a national bureau of railroad statistics, and the requiring of uniformity and publicity of accounts so that they can be compared one with another. I would then leave it to public opinion, as we have left it practically to public opinion in Massachusetts, working through the arbitration of the railroad commissioners, to remedy the abuses.

#### EFFECT OF COMMISSIONS.

Senator MILLER. If a railroad commission here has brought about a healthy condition of public opinion and has so influenced the railroads that they have abated all their discriminations and unjust dealings, why would not a Federal commission be likely to have the same results in all that relates to interstate commerce?

Mr. ATKINSON. To that extent, and to that only, and without coercion, I should say that the railway commission has been found to be the right instrumentality through which public opinion could exert itself. Public opinion existed before the railway commission existed, but it had no recognized mode of bringing itself to bear or making itself heard. By way of the commission, substantially without coercive powers, and by way of uniformity of accounts, the public opinion of Massachusetts has found its way to express itself and has remedied substantially all the abuses. I believe it is the same in Ohio. The reports of the railway commission of Ohio are among the most valuable for a student to make use of. It appears by these reports that not only has the charge on the through traffic of Ohio been vastly reduced and systematized, but the charge on the local traffic of Ohio has also been so vastly reduced and systematized that the difference in the railway charges of this year as compared with what it would have been twenty years ago for the same service is \$60,000,000. Sixty million dollars saved on the traffic of one year as the result of competition!

#### UNIFORM SYSTEM OF ACCOUNTS.

Senator MILLER. I understood, as one of your recommendations, that you would advise the Federal Government to exercise the authority of compelling a uniform system of accounts to be kept by the railways. Is that so?

Mr. ATKINSON. I would, to that extent.

Senator MILLER. The various States that have commissions now have that power and exercise it; and I think, so far as I am informed, every commission has prescribed a different form of keeping the accounts.

Now, if you add to that a Federal regulation requiring a Federal system will you not put the railroads to an unnecessary expense? Cannot the forms adopted by the various State commissions be so understood as to bring about a general system without requiring to be added to the different States' systems of accounts a Federal system of accounts?

Mr. ATKINSON. If a Federal system were well devised, by taking advantage of the experience of the several States, and if it were modeled in its general forms upon those returns, it would be probable that the Fed-

eral method of making the returns would also become the States' method; and the uniformity which is necessary, in order that public opinion may fully exert itself, would be thereby accomplished.

#### CONGRESSIONAL LEGISLATION HERETOFORE A FAILURE.

I beg now to call attention to the fact that so far as Congress has as yet attempted to control these matters by legislation it has entirely failed, even with railroads chartered by the Government. The greatest abuses that have been perpetrated, the greatest opportunities for fraud, and theft, and knavery have happened in roads chartered by the Government, and in the very fundamental charters it has been provided that nothing but money shall be paid in for stock. I doubt if there is a single railroad chartered by the Government on the stock of which there has ever been a single dollar paid in. I do not know of one. Consider this, if, even in railroads chartered by the Government, the very simplest provision has been utterly ignored and ridden over, how are you going to control the whole of this vast system?

Senator MILLER. I make the reply that Judge Russell made: If there is still a law in the State against murder, and if a murder is committed, it would not follow that we should repeal the law against murder.

Mr. ATKINSON. Of course not. I raise no objection to any statutes limited to imposing a penalty upon crime, whether it be murder or fraud in the railway service. There has been a vast deal of fraud and abuse of trust in the latter.

#### THE RAILROAD PROBLEM WILL WORK ITSELF OUT.

If any man here, or in any other State that I know anything about, undertook to construct a factory, or a warehouse or an elevator or a tannery, or any other manufacturing establishment, and proposed to issue a dollar of stock and two dollars of bonds for every cash dollar paid in, nobody would touch such securities. He would be considered either a fool or a knave. The people who took such stock and bonds would also be considered fools. Yet that is the way a great many railroads have been built. You will have to let that matter work itself out, and it is working itself out. This wholesome process is going on now. This ripping to pieces of the whole railway system of the United States, is squeezing out the bogus part of it. Even at the present low rates the railroads pay a fair income on a fair cash cost, and they do the business properly. I object as much to intervention on behalf of the railroads as I do on behalf of the users of the railroads. This matter of rates has worked itself out to a degree unheard of and unexpected, beyond the wildest claims of the men who advocated the regulation of rates ten or fifteen years ago. The reason that I come here, is that I fear the more you undertake to interfere by national statutes, and take away local self-government from the railroads and by the people of the States, the more mischief you will do.

#### RAILROADS IN EUROPE.

Senator PLATT. You have been a student of the history of railroad legislation in Europe. What is your opinion as to whether the results are beneficial there?

Mr. ATKINSON. The two problems, as to this country and as to Europe, are so different, that it is hard to answer the question. Almost all the railroads on the continent of Europe have been laid out with a view

to military service rather than to civil service. I call your attention to the report of Leon Say, made a few years ago, on the failure of France in its attempt to do the railway service. You are probably aware that France, already being the owner of a very large portion of the French railways, which were laid out for military purposes, undertook to buy up the rest and to operate the whole on behalf of the Government. The result of that was that when the cost of the service had come to 87 per cent. of the receipts, leaving hardly anything to represent any income, either to the State or to anybody else, it was bringing France to bankruptcy, and the attempt was made to go back to private service. How it ended I cannot say.

#### NEW YORK'S CANAL POLICY.

There is another curious point to which I would like to call your attention, and I will bring it right in here, not in the interest of the New York Central Railroad, but in the interest of sound economy. New York, as you are aware, has made the canals free; that is, free to those who use them; but somebody must sustain those canals. They are sustained by a tax on the whole people. It costs about \$500,000 a year to keep the Erie Canal in repair, and it costs \$706,567.83 to keep all the canals in repair. Then add the interest on the canal debt, and you have a total expenditure of \$1,353,980.16 a year by the people of the State of New York, to sustain the canals and pay the interest on the canal debt, in order that they may be maintained in free competition with the railroads and as regulators of the railroads.

#### NEW YORK CENTRAL TAXES EQUAL TO CANAL DEBT INTEREST.

The total sum of taxes paid by the New York Central, within the limits of and to the State of New York, is \$1,325,203.86. The New York Central Railway, working by competition and earning 4 per cent. on its stock (therefore paying a large dividend on every dollar of money that ever was put into it), has yet become so effective in the public service that it can afford to run in competition with the canals which are sustained by the State, and still pay out of its current receipts a tax to the State of New York equal to the entire cost of supporting all the canals and the entire interest on the canal debt. That is what competition has done.

Senator MILLER. What does your point lead to? Would you advise the State to close the canals or go on with this taxation?

Mr. ATKINSON. I think that the canals will ultimately close themselves. The people will get tired of paying taxes on them.

Senator MILLER. I am asking you what you think the State ought to do at the present time.

Mr. ATKINSON. I do not know. I think it highly probable that the State would come out better if it sold the canals, in order that rails might be laid down by the New York Central Railroad at the bottom of the canal, or by some other corporation, if it could be done. It would then get better service than it does now. That is my judgment. I should consider it of the greatest possible benefit to the city of Boston if the Boston & Albany Railroad could be consolidated with the New York Central & Hudson River Railroad. The competition of product with product forces the railroads to do the work for less and less, in spite of all they can do to the contrary. They are mere automata. They will and must work at the lowest cost consistent with their maintenance.

## THE RAILWAY QUESTION A SECTIONAL ONE.

Now, what will you do about sectional interests? A great part of this railway question is sectional. One section, feeling that another section has cheap rates, thinks that it also ought to have cheap rates. How is it in the nature of things?

The passengers per mile of railway in New England number 11,446; in the Middle States, 7,376; in the Western States, 1,385; and in the Southern States, 668. What can you do to regulate passenger rates? If you interfere with regulation you can only regulate by putting the rates up in New England to the level of the rates of the roads that have the smaller number of passengers. You cannot put them down, unless you take the smaller roads and operate them by the Government at a loss. How about the freight? In New England you have 4,850 tons per mile; in the Middle States you have 10,900; in the Western States you have 2,393; in the Southern States you have 1,187. Now, the roads that have the big traffic, in the nature of things, will do the work at a low charge. The roads that have the smaller traffic, in the nature of things, do the small work at a high charge. Try to regulate it, and you must take the roads that have the small traffic and work them at a loss, or else, as in Belgium, level all the rest up to their standard.

## HOW CAN THE PROBLEM BE SOLVED?

Senator MILLER. Is this your position: That the railroad problem is to be solved by competition of railroad with railroad entirely, without State regulation or governmental regulation?

Mr. ATKINSON. By such regulation as is consistent with publicity and uniformity of accounts; by such State and national regulation, if you could possibly enforce it, such as would require hard cash to be paid for stock and bonds, if that be possible. In that you have utterly failed as yet, but you are not likely to charter any more national roads. We are reaping the consequences of that failure to-day. By otherwise leaving the matter to work itself out, with more or less of slight injustice on the way, but, on the whole, becoming the most beneficent force that has yet been placed at the disposal of man in this half century.

## A COMMISSION WITHOUT COERCIVE POWERS FAVORED.

The CHAIRMAN. As I understand it you are in favor of a railroad commission?

Mr. ATKINSON. Without coercive power, but to secure publicity and uniformity of accounts.

The CHAIRMAN. Would you or not favor a provision prohibiting rebates and drawbacks?

Mr. ATKINSON. I would not go into details. I will only say for myself that I never had any difficulty, either in getting rid of any unjust rebates, or else in being convinced that what was being done by the railroads was rightly done. I have dealt with thousands and thousands of bales of cotton and tons of freight. I never had the slightest difficulty in securing a proper remedy for any wrong.

I beg to present to the committee certain treatises in which I have endeavored to present the facts on which my conclusions in regard to the railway question are based.

## JAMES D. FURBER'S STATEMENT.

JAMES D. FURBER, manager of the Boston and Maine Railroad, appeared and said:

I did not come here desiring to be heard by the committee; I simply came to be heard, at your request. I have nothing to say in addition to what has been said by Mr. Atkinson and Judge Russell. I think they have covered the ground pretty thoroughly. I am engaged immediately in the operation of a railroad; and I, for one, should deprecate any legislation on the part of the General Government, which should look to the government of our rates or the control of our roads; for we should find it very difficult, in our system of railways, to fix our rates in such a manner that there should be anything like a pro rata rate.

The CHAIRMAN. What road have you the management of?

## COMPETITION OF PRODUCT AGAINST PRODUCT.

Mr. FURBER. I am engaged in the operation of the Boston & Maine system. As Mr. Atkinson has stated, it is a competition of product against product. We find it so in our system. In order to build up the towns along our own lines, as we are running through a portion of the State of Massachusetts, through the whole of the State of New Hampshire, and through the State of Maine, in connection with the Maine Central Railway, we find it necessary in those towns that are more remote from the market to give them different rates from what we possibly could give to shippers or people located nearer the market. For example, if we were to think of giving a party in Lewiston, Maine, a rate per mile per ton, for cotton goods, or for cotton, or any of the raw material going into the manufacture of cotton goods, we should at once close up Lewiston, for Lewiston could not afford it, and could not compete with the manufacturing cities of Lowell and Lawrence. As I said, at the commencement, I did not come here caring to be heard, or to make any speech in regard to the matter. I am here simply in obedience to your request, to answer such questions as you see fit to ask.

## POOLING ARRANGEMENTS.

The CHAIRMAN. I believe I furnished you with the circular that the committee had prepared.

Mr. FURBER. I think you did.

The CHAIRMAN. Have you looked over it, so as to see the general scope of the matters that we are to inquire into?

Mr. FURBER. Somewhat.

The CHAIRMAN. In your experience, what is your judgment as to the effect upon the public interests of the pooling system that exists in the country now, and that has existed for several years past?

Mr. FURBER. I think that has been more for the protection of the railroads. I think railroads rather want more protection against themselves than the public require protection just at this present time.

Senator PLATT. In what way?

Mr. FURBER. I think the pooling arrangement has been for the purpose of giving to each road its proportion of the through business; to endeavor to maintain such rates as would be remunerative. I don't be-

Boston can be very remunerative to the railroads. I do not think it is possible for a railroad to live on that.

Senator MILLER. I suppose, in its intent, it is to prevent competition between trunk lines.

Mr. FURBER. I think so.

Senator MILLER. Has it resulted in producing that effect?

Mr. FURBER. No, sir; I do not think it has had the desired result.

Senator HARRIS. If it has had any effect, it has been in that direction.

Mr. FURBER. Yes; it has been in that direction.

Senator PLATT. You say, if protection is needed anywhere, the railroads need protection from themselves. Why? What occasion is there for that protection?

#### CAUSE OF CUT RATES.

Mr. FURBER. Because our laws are such that it has been rendered easy to get money by one device and another to build competing lines; and then those competing lines, since there was not, at the time when they were first constructed, sufficient business to support two lines, must, one or the other of them, lose. The competing lines being built endeavor to get the business, which has been the means of reducing the rates to unremunerative points; as a particular instance, the West Shore and Buffalo, and the New York Central Railroads.

Senator PLATT. They cut rates?

Mr. FURBER. Yes, sir; cut rates.

#### EFFECT OF RATE CUTTING.

Senator PLATT. That is destructive to the railroad?

Mr. FURBER. Yes, sir; it is, when cut below a certain point.

Senator PLATT. But, on the whole, is it or is it not to the advantage of the people?

Mr. FURBER. The people pay for it in one way or another, either in the loss of their property, or in the loss occasioned by their stocks being wiped out of existence, and the roads passing into the hands of the bondholders, &c. The community has to pay for the whole of it anyway.

Senator PLATT. How is it as to the purchaser and the consumer? Suppose all the rates on all the railroads were to be reduced, for the time being, to a non-remunerative point, do you believe that that would be for the interest of the purchaser and the consumer, in the long run?

Mr. FURBER. No, sir; I do not think it would be for the interest of the community at large, because it would produce a great loss of property. A certain portion of the community might profit thereby, because they have no particular interest in the railroads and no money invested. But it would come out of them through the savings banks and other institutions.

Senator PLATT. When, by a war of rates, you have demoralized and partially ruined the railroad business of the country, is it not a fact that, by its influence upon other branches of business, you put the whole into a demoralized condition?

Mr. FURBER. Yes; I think you do.

Senator PLATT. Overcapitalization has been going on for a long while, and I presume needless railroads have been built. Now, those railroads have either got to be supported by rates which will make fair returns either on the entire capitalization or on the cash that has gone

into them, or else some of them must go to the wall. Which is the best for the community?

Mr. FURBER. They probably will be supported in time as the country increases and becomes developed. They will be supported in time, as you increase your population.

#### NO RAILROAD USED TO FULL CAPACITY.

Senator PLATT. Will it not be a very long time, provided no other competing railroads should be built, before the existing railroads can be used to their full capacity?

Mr. FURBER. We multiply pretty fast. We increase very rapidly, indeed. I think they will all have business enough to do as population increases.

Senator PLATT. Do you know of any railroad yet in this country that has measurably reached the limit of its capacity for doing business?

Mr. FURBER. No, I do not.

The CHAIRMAN. I see that the war that has been going on between the lines East and West has about come to an end now.

Mr. FURBER. I do not know whether it has or not. I have my doubts even about that. We were in a system carrying freights from Boston east and from Portland west. We met the Grand Trunk at Portland, taking their business west, and we met the Housatonic line and the Boston and Albany lines here, taking business east. We found the rates had fallen so low that it was impossible for us to do the work. Our revenue was not sufficiently large to enable us to sustain it, and we had to withdraw from the lines and charge an arbitrary rate to both parties. That arbitrary rate, of course, was made at a low rate, for the purpose of furnishing the people in the towns through which we ran, as I said, with their breadstuffs at a low rate; and the distant town, too, so as to increase the population of manufacturing towns at the further end of the line. By increasing that population we get a large passenger traffic, which is quite extensive. Our line this year will probably carry 2,000,000 tons of freight. That is small compared with Western lines. But, at the same time, our passenger business will be somewhere in the vicinity of 15,000,000 of people. So that our passenger business is large compared with our freight business. Were we to make the rates at a pro rata basis at the extreme end of our lines with the rates near to Boston, we should find that such rates as we could afford to do that business for would close up the towns at the further end of our line.

#### PRO RATA LAW NOT EQUITABLE.

Then, we have other connections, running through, where a pro rata law, or a law passed which would compel us to carry freight pro rata per mile, or passengers either, would do great damage. We have connections up through the mountains over the Portland and Ogdensburg Railroad. With a traffic which they have only during the summer months, it would be impossible to think of their carrying at the same rate per mile that we would carry on our trunk line for through the season, we having the whole year through, and they only the summer. As I say, I should deprecate any legislation looking to the governing of our rates, short of such legislation as should give to the Government the whole control of the railroads, letting it take them and run them, and then allow such railroads to be built as, in the judgment of the men elected to look after that matter, they should decide were necessary.



Senator PLATT. The Grand Trunk is not connected with the pooling system of the United States, is it?

Mr. FURBER. I think not.

#### NATIONAL LEGISLATION APPROVED.

The CHAIRMAN. Would you think that legislation going as far, for instance, as Mr. Atkinson has stated he was willing it should go, would be injurious to the interests of the railroads, or that it would be going beyond what is fair and right to the railroads and the public?

Mr. FURBER. As far as Mr. Atkinson spoke (and I listened to him carefully), I do not think it will be injurious to the railroads and the public. So far as establishing any commission by Congress to look into the abuses and things of that nature in railroads is concerned, unless that commission was pretty large I should not mind violating the rule as much as I had a mind to, for they would not reach my case in a life time.

The CHAIRMAN. Suppose there was a commission for each judicial circuit of the United States, of nine, for instance.

Mr. FURBER. I think the commission of Massachusetts made up of three gentlemen, are very busy all the while attending to the railroads of Massachusetts. I think they are behind all the time with their business. They keep up as close as they can, but there is still too much to do.

The CHAIRMAN. You still go on violating the law, do you?

Mr. FURBER. No, sir; we do not violate any laws that I am aware of. I was only speaking of a Federal commission of some half a dozen gentlemen, appointed to look after the railroads of the United States. I think it would be harder to get a case before it than to get a case before the United States Supreme Court. I believe that requires four or five years.

#### PUBLICITY OF RATES.

The CHAIRMAN. What would you think about a law requiring you absolutely to publish your rates?

Mr. BURBER. I do not object to that. We do publish our rates for passengers and freight.

Senator PLATT. Do you observe them in all instances?

Mr. FURBER. No, sir.

The CHAIRMAN. Why not?

Mr. FURBER. Simply because different circumstances bring about a different state of affairs. For example, the Grand Trunk Railway will bring to us at Portland, the Maine Central Railway will bring to us at Portland, this merchandise that they pick up from the several towns they come through. They bring it to us in one train. It requires no switching or work, other than to hook our engines onto it and draw it to Boston. When it is drawn here, it is taken away by the parties very readily; and in many cases the article of lumber, coming from the Grand Trunk and from the Maine Central, is set upon a side track here and is never moved by us, but is taken by their teams. That class of freight we can bring cheaper than at our published rates from Portland to Boston. Why? Because it requires of us less service. We perform less service.

It is generally supposed that in the transportation of freight over a road, that is where the expense comes in. For example, I use one engine to draw the freight from Boston to Lawrence. I take four engines in Lawrence to distribute it. I have four to distribute the freight that

one draws up there. Why? Because there are tracks on the grounds of nearly every manufacturing corporation up there, and there must be an engine at each one of these places to deliver the cars to them containing their raw material and to take from them the cars containing their merchandise. They load those themselves. The freight brought to us from Portland is loaded. Of course, we do not undertake to maintain on that class of freights our local rates between Boston and Portland.

#### LOW THROUGH RATES CAUSE LOCAL DISCONTENT.

Senator PLATT. For example, take the through rate on grain from Chicago to New York, which is about 12 cents a hundred pounds. That amounts to something like 3 mills per ton per mile. Now, very many of the local freights on the intermediate points are equal, I suppose, to 1 cent per ton per mile. I am not giving accurate figures. Can you convince people along that line that any such difference is fair and just to the local shippers?

Mr. FURBER. No, sir. I think there is greater trouble in that respect than almost any other. I think there is where the trouble is more likely to come in between the people and the railroads, as to the matter of transporting this Western grain at such cheap rates. I think it is liable to bring about a greater amount of dissatisfaction among people than almost anything else that is done. That was one reason why we abandoned it. We abandoned it for the reason that we found it was very hard to satisfy our people on the line that we could not transport other classes of freight at just as low rates as that was transported for.

Senator PLATT. The people would be willing to submit to some difference.

Mr. FURBER. I think your rate of 3 mills a ton a mile is too high. I think it is not as much as that.

Senator PLATT. I was not giving accurate figures.

Mr. FURBER. No, sir. At 12 cents I think our proportion would be 9½ cents. It would cost over \$1 a ton.

Senator PLATT. I was not giving exact figures in my statement, but only using them for illustration.

Mr. FURBER. While you are transporting those freights at cheap rates, it is very difficult to satisfy the people along the line that you cannot transport other goods at the same price.

Senator PLATT. They would be willing to submit to a difference; but when you are carrying grain freights, or any other freights, at utterly unremunerative rates, you cannot make the people feel satisfied that it is right to make them pay all the expenses of running the road.

Mr. FURBER. You make them very much dissatisfied.

#### FREIGHTS REGULATED WITHOUT DISCRIMINATION.

Senator MILLER. I suppose that railroads can regulate freights so that there will be no discrimination as between like classes of freight under like conditions?

Mr. FURBER. Yes, sir; under like conditions. It may be said that a man having a car-load of freight, no matter what it is, should have the same price a hundred pounds. There are certain conditions which govern that matter that would make it obligatory upon you to charge a different rate. For example, if I have a Great Falls manufacturer on our line who will take twelve or fourteen empty cars into his factory yard, and who takes an account of the goods himself and gives us an

count of them, does all the loading and does all the work, and we take goods to Boston, it does seem to me as though we were doing business with him at wholesale, and that we should transport that car-load of goods at a little less price than for some man who hauled to us in our freight-truck a car-load of mowing machines which we would have to handle.

#### TERMINAL AND HAUL CHARGES DIFFICULT TO SEPARATE.

The CHAIRMAN. If the terminal charges could be separated from the hauling charges, could that be remedied?

Mr. FURBER. Yes; to some extent.

The CHAIRMAN. What would you think of a law that would require that to be done?

Mr. FURBER. I think it would be a very difficult thing to do.

Senator MILLER. The discriminations I was speaking of would amount to just this: That you would make a rate for people cheap by the car-load who would furnish their goods and do their own loading, and being at no expense, and then you would furnish a rate to those people who bring their goods to your warehouse, you doing the work?

Mr. FURBER. That we do.

#### REBATES AND DRAWBACKS.

Senator MILLER. The complaint against the railroads is that they give special rates to special individuals; that they make the difference by rebate or drawback. What do you say as to laws to prevent things of that kind?

Mr. FURBER. For my own part I would like to have a law preventing rebates and drawbacks. They are very annoying in your accounts and annoying to the railroads; there is nothing fair about it to the public or to the railway; I might give any rate you pleased over our line to you; to another gentleman by the side of you, who is having goods transported, I might give an equal rate; he would suppose by the form of the way-bill, that I give the same rate to both of you, but I might be giving you back a rebate of 50 per cent. of the money which you paid me. Then, if there are competing lines running to the same points, either can tell what the other receives.

The CHAIRMAN. You think that ought to be prohibited?

Mr. FURBER. I do.

#### UNIFORM SYSTEM OF ACCOUNTS.

The CHAIRMAN. What do you think about the question of requiring the railroads to keep uniform accounts?

Mr. FURBER. I think that is so in Massachusetts all through. It is required by the State of Massachusetts that we keep uniform accounts. Senator PLATT. Do you mean in detail, or that you each keep your accounts so that you may be able to answer certain specific interrogatories?

Mr. FURBER. No, sir; the railroad commission gives to us all a set of accounts which we are to keep. We are to work out a certain detail, to be given to them by a certain class of accounts which we all keep. I think you will find that the accounts of the railroads of the State of Massachusetts, up to a certain point, are all kept alike; and some others who desire to go further into the details of their business and to know more of these details may pursue it still further. But, up

to a certain point, the railroad commission furnishes the system of account which we shall keep.

The CHAIRMAN. That system was furnished on consultation between the railroad companies and the commission I suppose?

Mr. FURBER. No, I think it was established by the commission?

#### THROUGH RATES TOO LOW.

Senator MILLER. I understood you to say that your road was not in the pool now?

Mr. FURBER. It is not.

Senator MILLER. What was the reason of your leaving it?

Mr. FURBER. We have never been in any pool. We have been in the lines from which we have accepted their rates and have taken our pro rata proportion, but when we ascertained that they were cutting down something below 25 cents a hundred pounds from Chicago east, and that it would hurt our local traffic through the whole length of the line, we withdrew from the lines.

Senator MILLER. Your reason was that their rates were made so low that you could not consistently maintain the local rates?

Mr. FURBER. The through-rates were made so low that it caused dissatisfaction among our people who could not understand that a man could get a cargo of his grain freighted for so much less than a cargo of lumber which had been loaded by the shipper, just as well as the car-load of grain had been loaded by the shipper. It was very difficult to satisfy our people. That, together with the matter of doing business at less than cost, caused us to withdraw. I contend to-day that there is not a railroad in Massachusetts that can do the present business and receive what it actually costs them to do it. I do not think it can be done by any railroad in Massachusetts.

Senator HARRIS. Do you mean, by actual cost, the expense of running the trains, or the payment of the fixed charges as well?

Mr. FURBER. I mean the running of the trains. I mean the actual cost of running the trains and doing such work as is necessary (switching, terminal charges, and everything) for the delivery of the goods from one point in a city to a given point in another. I do not think it can be done at present prices. I do not think that any line participating in the business from Chicago to Boston for 10 cents a hundred pounds, which they are really doing, receives the actual cost of transporting grain; 12½ cents is the nominal rate, but there is a cut of 2½ cents on that, or there is said to be, I have not seen it myself.

Senator MILLER. Your road, the Boston and Maine road, has at Portland a direct connection with the West?

Mr. FURBER. Yes, sir; through the Portland and Ogdensburg, and through the Grand Trunk Railroad. It extends into Portland, and Portland receives all these grain freights from the West over the Grand Trunk, and also from the Portland and Ogdensburg Railway, though, I believe, they are getting a little sick of the freights. But the Grand Trunk will continue. And while they are having those rates and are giving them between Portland and Boston, we have avoided being accused of discriminating against Portland. When we were carrying at the very low rates between Boston and Portland the merchants of Portland complained that we discriminated against them, inasmuch as it gave a Boston man an opportunity to go clear into the State of Maine, as far as Saco, which is within 15 miles of Portland, and sell his

grain at precisely the same price that the Portland man could lay his down for in Portland.

Senator MILLER. Suppose the Ogdensburg road and the Grand Trunk road became tired of the arrangement and withdrew; what would become of the foreign grain trade at Portland?

Mr. FURBER. That is a matter which we have had nothing to do with. I think the shipping point is at Boston properly. I think the Grand Trunk may have shipped something from Portland, but only a little.

Senator MILLER. Are any other western products shipped from Portland?

Mr. FURBER. Yes, sir.

Senator MILLER. If those roads were to retire from the pool, it would close these different businesses at Portland, would it not?

Mr. FURBER. I think so.

Senator PLATT. Do you bring grain from Portland to Boston?

Mr. FURBER. We do; at the same price we bring it from Boston to Portland.

Senator PLATT. Do you bring grain to Lawrence at a proportionately less rate than you do to Boston?

Mr. FURBER. No, sir; we bring it at the same price. We charge 5 cents a hundred either way.

Senator PLATT. That is to say, you conform to the short-haul law of not charging more to Lawrence than to Boston. Is that exactly fair to Lawrence? Why not give them a proportionately lower rate than to Boston?

Mr. FURBER. The distance is some 26 miles from Boston and Lawrence, and Lawrence gets the advantage of haul from Boston to Lawrence, if it is desired. Lawrence is a point reached by the National Dispatch Line, under the Grand Trunk combination also, so that they get theirs really for Boston rates, and we simply go out of the business.

### J. H. WALKER'S STATEMENT.

J. H. WALKER, manufacturer of boots and shoes at Worcester, Mass., appeared.

The CHAIRMAN. May I ask what your special business is?

Mr. WALKER. My business is that of manufacturing boots and shoes in Worcester, Mass., and leather in Chicago, running two large tanneries in Chicago. A large portion of the product of the tanneries I send to Boston and the East. I appear here as a merchant or a layman, rather than a railroad man. I wish to say that I have very little to add after the testimony of Judge Russell, the chairman of our railroad commission, and the testimony of Mr. Atkinson. I am here at the request of the chairman.

### NEW ENTERPRISES MEAN CAPITAL DISTRIBUTED.

I wish to call the attention of the committee to the great injury that it seems to me would be done to the country by any effort to protect the owners of the railroads. Any effort made to keep good or to make whole the investments in any department of manufacture or transportation must result disastrously. The lines of railroad in Belgium have been alluded to, as well as those in France, with reference to the attempt to make them remunerative at their cost. It is a fact that all

new enterprises entered upon almost invariably mean a large distribution of capital by the holders of capital in the interest of the masses of the people. That is to say, when any factory is built or any railroad is built it practically distributes from two-thirds to the whole of the capital that is put into it in the interests of the masses of the people. That is a thing that they are always clamoring for, and they are aware that the process is constantly going on. For instance, the leading railroad stocks have depreciated about 40 per cent. in four years, and the owners of the properties are as well satisfied with the same percentage of dividends on the reduced valuation as the former owners were upon the original valuation, because the stock usually changes hands.

Now, if a certain number of leading railroads are reduced \$400,000,000 in four years, it practically amounts to the distribution of that sum to the man who works by the day—and Mr. Atkinson has shown that 90 per cent. are of that class—because the freight on what he consumes can be reduced by just so much. So the purchasing power of the workingman's wages is increased by just so much. It is a fact as substantial as though that amount of money that was invested had received that income and it was distributed pro rata to the workingman. I think that is entirely clear. Now accepting the point that the individual shall not be fraudulently deprived of his property, it is for the interest of the State, as a whole, that that sum be distributed. If the owners of railroad stocks choose to distribute it by misappropriation, assuming that they are not fraudulently deprived of their property, it simply results in the dissipation of large fortunes and in keeping the property distributed among the people, as it is desirable it should be.

Senator MILLER. Mr. Chairman, there is nothing in the interrogatories which this committee has sent out which indicates that the committee is carrying on an investigation in regard to the question of whether the shareholders in the railroads have lost money or whether they have made money. It starts out with the assumption that there are great and unjust discriminations against private shippers in reference to interstate commerce. The investigation, as I understand it, is directed to finding out from business men and other witnesses what such discriminations are, where they have been practiced, and what, in the judgment of the commercial men of this country, would be proper for the Federal Government to do in the regulation of this commerce. The question which this gentleman is talking of I do not think comes within the purview of our investigations. I have no personal interest in it, and I do not care to carry on an investigation of that question.

The CHAIRMAN. I suppose he shall soon come to the question of what evils exist, and what regulation is needed from Congress.

#### POOLS AGAINST PUBLIC INTEREST.

Mr. WALKER. Allow me to say that I did not propose to wander from the question. I think I shall be able to show that I have not wandered from it. I have said what I have thus far to indicate an answer to your seventh interrogatory—

Should pooling contracts and agreements between railroads doing an interstate business be permitted, or should they be entirely prohibited by law?

The whole pooling system and the whole theory of the pooling system is to protect the interest of the shareholder. It is against the public interest, in my judgment; and I have said what I have said to show

that it is against the public interest, and that, in my judgment, it ought to be prohibited.

The CHAIRMAN. I supposed you were coming to that, and hence I did not interfere with you.

Mr. WALKER. Yes, sir. In making this statement I was proceeding to give my reasons why, in my judgment, the pooling system should be prohibited. It should be prohibited because the pooling system is practically black mailing the successful railroads by securing the building of railroads which are not demanded by the public (and which are, therefore, a waste of capital) in the hope of compelling successful roads to pool in with them.

#### PUBLICITY AND REASONABLENESS OF RATES.

So far as the first question that is asked in this circular is concerned, "The best method of preventing the practice of extortion and unjust discrimination by corporations engaged in interstate commerce," I would say: Thorough publicity.

#### REASONABLENESS OF RATES.

So far as the second question is concerned, "The reasonableness of the rates now charged by such corporations for local and through traffic," I would say:

The general rates are usually reasonable in this State, with occasional cases arising which we remedy by our railroad commission.

As to the next question, "Whether publicity of rates should be required by law; whether changes of rates without public notice should be prohibited, and the best method of securing uniformity and stability of rates—"

That comes under the question of publicity. I think they should be made thoroughly public; that there should be permanency of rates with proper notice of changes. I think if a proper notice of change is required it would be a very great advantage. There may instances arise where an immediate change of rates would be required; but if rates are changed to-day every man who puts freight upon the railroad or takes it to the depot ought to have the lowest rate made that day, and just as long as it continues.

As to the manner of legislation for the regulation of interstate commerce, I think the system which we have adopted in Massachusetts (as has been said by Mr. Atkinson and by the gentleman who preceded me,) we have found to work very admirably; and, as has been testified, without exception our law accomplishes the object which we designed to have it accomplish.

Let me say one word here. A question is asked as to the designation of routes over which our freights shall pass. The pooling system necessarily gives the pool commissioner the privilege of sending freights over such routes as he shall designate, which is a very great hardship to shippers in many cases, especially if it takes longer to go by one route than by another.

#### DIVERSION OF FREIGHTS WORKS HARDSHIPS.

Where a certain road may be able to deliver goods to me in four to six days, if those goods are sent over a longer route, which may require

eight or ten days, it may work a great hardship, especially if I have agreed to deliver the goods on a certain day on the expectation that they will be delivered to me by the railroad company on a certain day. When they are sent by a circuitous route it may result in my not delivering the goods at the time agreed upon, which may vitiate the sale.

The CHAIRMAN. Have you found that the roads disregard a request on your part to send your goods by a particular route?

Mr. WALKER. Not recently. I have had very great difficulty and very great trouble and annoyance, especially in the winter, when snow would impede the trains, where goods have been sent through Canada. In some cases it would take three or four weeks to go around by that route, whereas if they had been sent by the New York Central they would have arrived in six or seven days. But that has not occurred recently.

The CHAIRMAN. You have been engaged in business as a merchant and shipper for years.

Mr. WALKER. Yes, sir.

The CHAIRMAN. Shipping goods both east and west?

Mr. WALKER. Yes, sir.

#### DANGER OF CONGRESSIONAL INTERFERENCE.

Senator PLATT. On the whole, as a practical business man, do you think there are any such grievances resulting from the present management of railroads with reference to interstate traffic as to call for legislative interference in the nature of regulations?

Mr. WALKER. I think the danger of interference is that it may do more damage than good, and that it would not be desirable except as has been said before here, by giving expression to public opinion through some authoritative body, like the Massachusetts railroad commission.

#### THE LONG AND SHORT HAUL.

Senator HARRIS. Do you think it would be wise to provide, by law, that a railroad company shall charge no more for a short than for a long haul?

Mr. WALKER. I think the short haul law in Massachusetts has been a very great advantage. I think it ought to be done unquestionably.

Senator PLATT. Is it applicable in the case of interstate commerce as in the case of State commerce?

Mr. WALKER. I think it is. It is applicable in this way: It keeps every railroad to its legitimate business, as was shown by the gentleman who testified before me. It prevents railroads doing an illegitimate business. It discourages investments of capital in a road which would take business from a road already established. I think that is a very great evil.

#### DRAWBACKS AND REBATES.

The CHAIRMAN. In your experience with railroads would you or not regard it of important to have a provision in whatever law Congress might pass absolutely prohibiting rebates and drawbacks?

Mr. WALKER. I think they ought to be prohibited for the reason that the stockholders practically cannot keep any account of the legitimate earnings as a road on that system; neither can shippers know how they will come in contact with their neighbors and competitors. I think a



short-haul law and a law preventing rebates would answer a very good purpose.

The CHAIRMAN. And a law requiring publicity?

Mr. WALKER. And publicity. Those provisions would remedy the whole difficulty, I think.

The CHAIRMAN. Is there anything further you wish to suggest?

Mr. WALKER. No, sir. As I said before, I did not come here as a volunteer.

### GEORGE C. RICHARDSON'S STATEMENT.

GEORGE C. RICHARDSON appeared.

The CHAIRMAN. What is your business, Mr. Richardson?

Mr. RICHARDSON. The business of my firm is the agency of various mills at Lowell and other places; principally at Lowell.

### BENEFITS OF COMPETITION.

The CHAIRMAN. This committee is here for the purpose of hearing representative men of business interests, to learn from them what their views are as to the duty of Congress in reference to the question of regulating commerce between the States. Will you proceed now, in your own way, to give your views upon that subject?

Mr. RICHARDSON. I was here this morning and heard Mr. Atkinson's statement. There was one point in his statement which I consider very important and fundamental. That is, that competition must settle all these questions in the end. That is the main reliance. At the same time there are cases which come up that competition cannot right. We, as distributors and as being interested in the goods made in the mills, are interested primarily and absolutely in having equitable rates, because the whole trade are our customers. We sell goods everywhere, to every town in the country. For instance, our sales for Thursday and Friday are all on the railroad now, I suppose, scattered in every direction. We have no particular friends in certain locations. We are the friends of the whole trade, and we want the whole trade to have their goods under proper and equitable terms.

The CHAIRMAN. You mean by that, you want fair dealings with all from the railroads?

Mr. RICHARDSON. By the railroads. That is our interest. But there are a class of merchants who always want to get more than belongs to them, and we come in contact with them pretty largely. Take those large Chicago men, and several other Western men; they are not satisfied with getting the same terms that other people get, they want something better. And if they do not get it in one way they want to get it in another way.

The CHAIRMAN. Do you refer to the rates of transportation on freight?

Mr. RICHARDSON. Yes, sir; I refer to the rates. The great amount of business that is done through us is done by contract. We cannot tell exactly what the contract is, but they make the rate for the season, or for one month, as to them is most favorable. They cover all their business in certain periods and make very favorable arrangements. This makes those men very hard competitors with the small dealers.

The CHAIRMAN. That comes under the law of competition.

Mr. RICHARDSON. Yes, sir; these small men have to fight their way out of it. That is the only way. You cannot legislate it away.

## PREVENTION OF DISCRIMINATIONS.

The CHAIRMAN. There is no way, in your judgment, through the passage of a law by Congress, that will have at least some influence in preventing that inequality that you speak of?

Mr. RICHARDSON. Certain things could be provided for. Certain contracts could be made illegal.

The CHAIRMAN. What kind of contracts?

Mr. RICHARDSON. There is the question. It would have a very strong tendency to check that element if you were to say that contracts should be made only for the time being, say for to-day or to-morrow. That would have an immense influence.

Senator HARRIS. Could not discriminations as between individuals and as between localities be prevented by proper legislation?

Mr. RICHARDSON. It would<sup>a</sup> be a very difficult thing to do. To my mind there is no way in which it could be done better than in the way I suggest—to stop these time contracts; to fix the length of time. Such contracts give these men great power, if they are allowed to contract for thirty or sixty days for the delivery of their goods.

Senator HARRIS. If you can stop that, can you not, by the same method, prohibit and prevent a single contract which discriminates between individuals and between localities?

Mr. RICHARDSON. If you can get at the facts to protect yourselves against that element. Of course you could pass a law that would cover that point; but it is not easy to ascertain the facts.

Senator HARRIS. Can you not get at the facts in the one case as readily and as certainly as in the other?

Mr. RICHARDSON. No, sir; I think not.

## PUBLICITY OF RATES.

The CHAIRMAN. What influence would a law requiring publicity of rates have?

Mr. RICHARDSON. A very good influence, indeed. It is absolutely necessary.

The CHAIRMAN. You believe then in a law requiring publicity of rates on all interstate commerce?

Mr. RICHARDSON. There would be great advantages in it; very great advantages. It is the small men you want to take care of. The large men can take care of themselves.

Senator PLATT. It is the large men who get the most concessions, is it not?

Mr. RICHARDSON. Usually. There are a great many points in regard to this transportation business that want to be looked into. For instance, we have a great deal to contend with ourselves. We ship a great many goods from Boston and from Lowell. We ship largely from all our mills. But the large merchants want to get their goods delivered at Chicago free of any freights. That is already the case in one sense. Some people give them their goods free of freight in Chicago. That is a thing they have been trying for very hard for three or four years. We never have delivered any goods free of freight in Chicago that I know of. But we do deliver goods in New York which are shipped to Chicago.

The CHAIRMAN. What do you mean by delivering free of charge?

Mr. RICHARDSON. I mean just that.

The CHAIRMAN. Do you mean the goods pay no freight?

Mr. RICHARDSON. The manufacturer pays the freight.

The CHAIRMAN. And sends the goods forward?

Mr. RICHARDSON. Yes, sir; that is done more or less.

Senator HARRIS. In that case the manufacturer sells goods to be delivered at a given point?

Mr. RICHARDSON. Yes, sir; that is the thing simply.

Senator HARRIS. Is the manufacturer able to make better freight terms than the purchaser could make?

Mr. RICHARDSON. I do not think that term would apply—"better." A manufacturer can make such terms as he chooses; but perhaps he could not afford to make either. He is obliged to meet the competition at the time and sell his goods as low as his neighbors.

Senator HARRIS. It makes no difference to the common carrier whether the freights are paid by the seller or the purchaser of the goods, does it?

Mr. RICHARDSON. Not at all.

Senator HARRIS. In the case you put I take it for granted that the carrier gets compensation for carrying the goods?

Mr. RICHARDSON. For carrying the goods; but it is less or more according to circumstances. He does not get full compensation.

The CHAIRMAN. You are shipping a great many goods East and West, are you?

Mr. RICHARDSON. Yes, sir.

The CHAIRMAN. Have you any arrangement with the railroads by which you get special rates?

Mr. RICHARDSON. We have not. We have never sought it at all.

#### REBATES AND DRAWBACKS CONDEMNED.

The CHAIRMAN. Do you get any rebates or drawbacks?

Mr. RICHARDSON. Never. But our correspondents do; or, as they would be called, our customers. Men that give orders for goods and purchase of us have got rebates and all sorts of terms in time past. We have hoped every year that would be remedied; and it is remedied to a certain extent. What we aim for is regularity.

The CHAIRMAN. I understand you this irregularity is constantly going on?

Mr. RICHARDSON. Going on all the time.

The CHAIRMAN. It is every man for himself, and the man who is not able to make the best rate suffers in consequence.

Mr. RICHARDSON. Yes, sir.

#### STABILITY OF RATES WANTED.

The CHAIRMAN. Is it not your opinion that something ought to be done by somebody to make these rates more stable, and to protect the small jobber, or the man who is unfortunate enough not to make as good rates as his neighbor.

Mr. RICHARDSON. If the railroads should publish the rates they are carrying freight for every week that would have a great influence, and would largely remedy the evil.

Senator PLATT. Provided they abided by those rules.

Mr. RICHARDSON. A dishonest man will not abide by anything. Sometimes the nature of trade is such that a man feels excused for being dishonest. It would be very difficult to enforce the law.

## A NATIONAL COMMISSION.

The CHAIRMAN. Suppose publicity of rates were required, and drawbacks and rebates were prohibited?

Mr. RICHARDSON. And penalties fixed?

The CHAIRMAN. And penalties fixed. Then what would you think about having a commission to see that the law thus passed by Congress should be enforced?

Mr. RICHARDSON. I cannot explain my views any better than to say that there is nothing better that has come under our observation, in any part of the country, than our Massachusetts railroad commissioners law. *There* is a kind of supervision that has a most excellent influence. Their authority is respected everywhere. I believe the railroad commissioners will tell you that.

The CHAIRMAN. So that your idea of national legislation is exemplified in the Massachusetts law and the commission appointed under it?

Mr. RICHARDSON. It is. I should not want to go into the House of Representatives or into the Senate Chamber to undertake to regulate transportation. It is a very bad thing to get into the hands of lobbyists.

The CHAIRMAN. Would you oppose a law making specific provisions that a certain thing shall be done and another thing shall not be done, without a commission to enforce the law?

Mr. RICHARDSON. I should say it would not be just to the community. There would be so much uncertainty in its execution that the remedy would be worse than the evil.

The CHAIRMAN. Would any legislation be of use to the public without some sort of special tribunal to enforce it, in your judgment?

Mr. RICHARDSON. That is my impression. But it is a pretty large subject, and one that you cannot cover with one flash of the mind.

The CHAIRMAN. We are aiming to get the views of the business men of the country, who have had experience in shipping with railroads, so as to determine what we ought to do in the way of recommendations to Congress for legislation.

## RATES EAST TO WEST AND WEST TO EAST.

Mr. RICHARDSON. The point with us is Chicago. All our Western people want to make the best freight they can to ship from New York to the Western towns. We want to make the best freight we can to ship from our mills and from Boston.

The CHAIRMAN. To the Western towns?

Mr. RICHARDSON. Yes, sir. And there is an antagonism there which we always meet in various ways.

The CHAIRMAN. Do I understand that you are engaged in shipping flour?

Mr. RICHARDSON. No, sir; nothing but cotton and woolen goods.

The CHAIRMAN. I was going to ask you whether you got the same rates from the West that you did to the West, or whether the rates of freight on the material that you are dealing in are the same from the West to the East as from the East to the West?

Mr. RICHARDSON. Our business with the railroads is much better from the East to the West than from the West to the East; it is not always so, but it is very apt to be so. That is because they have to go back with empty cars.

Senator HARRIS. They go West with empty cars?

Mr. RICHARDSON. Yes, sir, largely; and they always have done so. So that you can see the advantage will be in favor of the shippers with the railroads that ship from the West instead of from the East to the West.

#### CONCESSIONS TO LARGE SHIPPERS.

Senator PLATT. You are a man of large business and large business experience. Do you think that at the present time the rates are fair and equal as between shippers, or do you think that at the present time undue preferences are given to favored shippers by the railroads in this section of the country?

Mr. RICHARDSON. What would be called differences by the public grow out of the natural right of the merchant to avail himself of favorable terms. There is a great deal in the time when a man makes his contract. He may make his contract at a favorable time, and therefore he may be placed on favorable grounds constantly, although there may be no improper influence brought to bear to give him that position. That is the case all the time. These large men come in at the right time.

Senator PLATT. As you understand it, do the railroads allow a more favorable rate to a man who ships a large quantity of goods than to a man who ships a small quantity of goods, applying the doctrine of wholesale and retail to the fixing of rates?

Mr. RICHARDSON. In one sense they do; because they are much more important customers than the small men. That is the law of trade, that the large men will get a little better concession than the small men, in every branch of business so far as I know.

Senator MILLER. Do you think the railroads should give these preferences?

Mr. RICHARDSON. They should be very careful in regard to them. There is a great deal of damage done to interior trade by those concessions. I know it by my own observation.

Senator MILLER. Can you give us some illustrations?

Mr. RICHARDSON. In our interior towns we have a great deal of complaint first and last; not so much lately; but say five to eight years ago there used to be very marked cases, where there were not only concessions but want of promptness in shipping. Goods would be loaded into the cars and would remain on the road several days; yet freight would be passing all the time right by that village. You can see that that would be a great damage. I remember once shipping some cassimere goods to New York myself. There was another mill in the same neighborhood that manufactured the same kind of goods. Their goods were made at the same time; but the difference was so great in the time of shipment that my competitor's goods were sent to New York and were sold before my goods reached New York. There is a great deal of that discrimination that can be done on the railroads that may create a great deal of injury.

#### INJURY DONE BY DISCRIMINATION.

Senator MILLER. We will say that from Lowell the railroads are carrying these goods to Chicago, and that they give a low rate to a concern like yours, but give a much higher rate to a concern just starting in business and that turns out not more than 5 or 10 per cent. of the business done by your concern; what would be the effect of such discriminations on that small man?

Mr. RICHARDSON. If carried to the extent you speak of, it would be very damaging. But I think our railroads in this State mete out justice to the manufacturers and people employing the roads.

Senator MILLER. In order to prevent any injustice that might happen, would it or would it not be wise to have a law for that purpose?

#### BENEFICIAL RESULTS FROM COMMISSION.

Mr. RICHARDSON. I think our railroad commissioners have done a great deal of good in that particular; they do not allow anything of that kind. They do not permit these discrepancies to exist.

Senator MILLER. Your railroad commissioners do not control the rate of freight from Chicago?

Mr. RICHARDSON. Not absolutely.

#### UNIFORMITY OF RATES.

Senator MILLER. Would it not be advisable, in order to prevent any injustice being done, to have a law providing that the rate on similar goods, or similar classes of goods, should be the same in all cases?

Mr. RICHARDSON. It might be. It is a difficult thing to manage. I cannot go so far as that, in making up my own mind, because there are so many hitches and difficulties to overcome.

Senator HARRIS. Do you mean difficulties in enforcing such a rule?

Mr. RICHARDSON. Yes, sir.

Senator HARRIS. Or do you mean inherent difficulties in the rule itself? Would not such a rule be absolutely just, if it could be enforced?

Mr. RICHARDSON. I presume it would be just, if it could be enforced.

The CHAIRMAN. It is charged by some people that at non-competing points they have to pay a higher rate of freight than they do at the competing points.

Mr. RICHARDSON. That is absolutely true, I suppose.

The CHAIRMAN. In your judgment, is that right?

Mr. RICHARDSON. It is a wrong that you cannot right very easily. It will be righted in time, because competition brings that around.

The CHAIRMAN. But in the mean time the man who is being damaged may starve to death, or may have to go away, possibly.

Mr. RICHARDSON. There is nothing perfect in this world, and that is one of the points. I do not believe you can make it perfectly easy, but it may be done.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. What is your opinion on what is called the long and short haul? Ought there not to be a law that would prohibit charging more for a short haul than for a long haul?

Mr. RICHARDSON. I should say not. I should say in this connection that I was twenty-seven days on a reference between the Boston and Albany roads when they consolidated. They had a reference in regard to it; and during those twenty-seven days I was getting all the facts that it was possible to get from their transportation books and freight books, and coming to the conclusion we finally came to, I recollect what the president of the Worcester road said when I got through. Said he, "You mean consolidation?" That was after we had given our case in. I told him we did mean that; we did not mean to have more than

one road between Boston and Albany. They were to run the two roads two years on our award, and then they had a right to abolish it or change it. At the end of the two years they wanted the reference to sit again. There were some things they could not agree upon, especially as to the bridge in Albany. They could not agree to the rate. In fact, they had never settled their accounts from the time they started, excepting to credit on account between the Worcester and the Boston and Albany. The accounts never had been settled. There was one firm in Boston that had \$150,000 of claims which came under that reference.

When the two years came around they wanted to try again; and they came to the gentlemen who were on the first reference. I did not know what my associates were going to do, but I told them I would not sit on the reference if they gave me \$5,000; nothing would tempt me to do it. We had discharged our duty once. The reason I mention this is that it gave me a familiarity with the manner of doing business on railroads that I never could have acquired in any other way. It really gave me an inside track. They gave us all the clerks we wanted in the office for two or three weeks. When we got through we really knew something about railroads.

At the end of the next two years we declined to go on; but at last we finally consented. This is all in their reports. This was in 1864. I consented to go over the ground again and review it. There had been some changes made. When the award was first made it was in war times and the Worcester road was the favorite. The Boston and Albany had a higher grade, and labored under some disadvantages on freight. We made a discrepancy—that was what I was coming at—on their entire freight, of 10 cents a ton in favor of the Boston and Albany road. So you can see that, in railroading, the fundamental element to take into account is that there is a difference. We had, on that entire bus ness, to make that difference. They follow it up to this day, as I understand it. They make a difference of ten cents a ton in the freight.

The CHAIRMAN. On what principle?

Mr. RICHARDSON. Because the grades were so much higher on the Boston and Albany. It cost more to carry freight, as was shown by their books. We took every item and we found it cost exactly that much difference. We gave them just what it cost. It was a discrimination. It would look as though the Boston and Albany got more for carrying freight, but it did not.

#### THE SURVIVAL OF THE FITTEST.

Senator PLATT. Do you think the doctrine of free, unrestrained competition is going to remedy all the evils that there are in the business?

Mr. RICHARDSON. I do not expect we can remedy all the evils. We can remedy a portion of them.

Senator PLATT. That means a survival of the fittest and of the strongest, does it not?

Mr. RICHARDSON. It has that tendency.

Senator PLATT. That is the inevitable result of unrestrained competition.

Mr. RICHARDSON. Yes, sir.

Senator PLATT. The tendency, then, is to put the business of the country into the hands of strong capitalists or corporations?

Mr. RICHARDSON. Yes, sir.

Senator PLATT. Do you think that would be a good thing for a country like this?

Mr. RICHARDSON. The Government of this country can do a great deal to protect the people.

#### THE TRUE DEMOCRATIC DOCTRINE.

Senator PLATT. If it were possible, would it not be better for the business of the country that it should be done by a great many rather than by a few? Would not that be better, if the Government can in any way accomplish it?

Mr. RICHARDSON. No doubt that is the democratic doctrine and principle of this Government. It should be.

Senator PLATT. We must look after the condition of our common people somewhat, must we not?

Mr. RICHARDSON. Certainly; as I observed, the rich people can take care of themselves pretty well in this country. But there is an element which really needs legislative protection so far as it can be extended to them.

#### RESULT OF UNRESTRAINED COMPETITION.

Senator PLATT. If this free and unrestrained competition is going to result in giving the large merchants or shippers a substantial advantage in business, the day will have substantially passed when there will be any inducement for a man to go into business in a small way?

Mr. RICHARDSON. That is true.

The CHAIRMAN. Your conclusion on that subject would seem inevitably to lead to another: that there ought to be something done by the Government or by the same governmental power to prevent that condition of affairs, if it can be done.

Mr. RICHARDSON. It will be a wise measure, and one that the people will sanction, I do not doubt.

The CHAIRMAN. But, as to exactly what can be done, or ought to be done, you are not so clear?

Mr. RICHARDSON. I am not so clear as to that; no, sir.

#### PUBLICITY OF RATES FAVORED.

The CHAIRMAN. As I understand you, you are in favor of publicity of rates.

Mr. RICHARDSON. Yes, sir; I think that is very desirable, indeed, in the present state of things. How long it would continue so is another thing.

The CHAIRMAN. You are against the system of drawbacks and rebates, I believe?

Mr. RICHARDSON. Entirely so.

The CHAIRMAN. And you think that a commission with some sort of power ought to be created by the Government. Do I understand you that way?

Mr. RICHARDSON. That is about the substance of my views. At the same time it is a thing that it is impossible to look into in so careful a way as that the opinion of any man is really of much account until he has thoroughly viewed it.



## ALDEN SPEARE'S STATEMENT.

ALDEN SPEARE (commission and importing merchant, of Boston) appeared :

The CHAIRMAN. May I inquire what your line of business is?

Mr. SPEARE. I am a commission and importing merchant.

The CHAIRMAN. Where?

Mr. SPEARE. In Boston.

## A NATIONAL COMMISSION.

The CHAIRMAN. Have you any general views that you would like to present to the committee on the subject that is before us? If so, we should be glad to have you proceed in your own way.

Mr. SPEARE. I had not expected to be here until I received a telegram from one of the commission, asking me to appear this morning, and therefore I have matured no thought upon the subject. It has been before Congress for some time, and I am somewhat connected with railroads; and I have had my attention called to the matter to some extent. I have always been of the opinion that it was a very delicate subject for Congress to attempt to handle. Our railroads are so interlocked, one with the other, and those of one State with those of another, that it would be almost if not quite impossible to enforce any law which might be enacted. I heard the statement of Commissioner Russell this morning, and if anything were to be done, I should say it would be in the line indicated by him; that is, to create a commission substantially upon the basis of the Massachusetts commission, simply a tribunal to hear and report to Congress.

The CHAIRMAN. You have been engaged in shipping over the various railroads of the country a great many years, I suppose.

Mr. SPEARE. Yes, sir; thirty-five years receiving from the West, and shipping for the past thirty years.

## POOLING ARRANGEMENTS.

The CHAIRMAN. Have you ever observed any great injustice done by the railroads to you or by anybody else engaged in commercial business?

Mr. SPEARE. I think the greatest injustice that has been done has been the sudden cutting of one road over another. Pools generally have a pretty hard name; but so long as pools are in existence and their rules are enforced, like rates are given to all the shippers under like circumstances at the same point. If the merchant can feel that he is going to have a continuation of the present rates he goes into the market and buys his goods with assurance and safety. But when there are no pools there is no safety. Each railroad is at liberty to go into the market and make rates for itself, and no one knows whether he has as good terms as another. He does not know that the terms of to-day will be in vogue to-morrow.

For instance, last year the pool of roads running to the Missouri River was broken up by a quarrel among the railroads; and the rates were put down to substantially 6½ cents to Omaha or to Denver. Some of the merchants in those places had purchased their stock at the usual time and in the usual way and had paid the regular freights; and they

found themselves in that condition, with their neighbors paying on salt and sugar at 6½ cents when they paid 60 and 70. You can see at once the result. Merchants failed on account of that operation. Therefore, while pools, in principle, may not be right, yet if they could exist regularly and continuously they would be a good thing in my judgment.

Senator PLATT. You refer to the west-bound pool from Chicago?

Mr. SPEARE. Yes, sir.

Senator HARRIS. But anything else which would secure stable rates, if there is anything else which could secure them, would accomplish the object quite as well.

Mr. SPEARE. Yes, sir. At the same time the minute you commence to legislate you must legislate in the line that has been indicated, "like and like." But when you come to "like and like" you cannot always get like circumstances, as Mr. Furber very well told you this morning in reference to the gathering of a train of cars by another railroad. Now, I am handling a car, we will say. There is no equality in those cases. If you step in by legislation, and say you must do so and so you make it at once impracticable for me to continue.

#### EQUALITY WHERE POSSIBLE.

I agree with what Mr. Richardson says, that we should have as near equality as possible; but circumstances should always be allowed to come in and have their effect. For instance, he told you about his shipping car-loads of goods. The mills that he represents can always load one, two, three, or five car-loads without difficulty. A neighbor, perhaps, can put in not more than five cases. Now, should the railroad take his five cases to Chicago at the same rate that it takes Mr. Richardson's five or ten car-loads? You can see at once that the railroad cannot afford to do it. Therefore, when you come in and say that the same kind of goods destined for the same point shall always pay the same rate, you see where you are.

#### THE CAR-LOAD AS A UNIT.

Senator HARRIS. But if you treat the car-load as the unit, it seems to me the only possible difference would be the slight terminal charges in receiving and distributing the freight.

Mr. SPEARE. So far as that goes, yes, sir. But take another view of it, if you please. A railroad wants to make a contract with a large manufacturer for his freight. That manufacturer says, "I will give you 500 car-loads." Other railroads are ready to step in and take that freight. The manufacturer says, "I will give you 500 car-loads provided you carry it for so and so." Another man comes in and says, "I will give you five cases." The five cases are not a matter of much importance, but it is a matter of great consequence to the railroads, as well as to the individual to get the 500 car-loads.

#### A NATIONAL COMMISSION.

Senator PLATT. Substantially all the legislation regulating the business of freights in Massachusetts is the short-haul law. That is all the positive law there is regulating those matters in Massachusetts. Massachusetts has had a railroad commission, and we are led to suppose that abuses have been pretty generally done away with by that railroad commission. Would not that much legislation be good legislation to

apply to interstate commerce, and would not a board of commissioners having the supervision of interstate commerce, as the commissioners of Massachusetts have supervision of the State commerce, be enabled to work out the same results with regard to interstate commerce that the Massachusetts commission has in regard to State commerce under such a law?

Mr. SPEARE. Providing no conflicting State authority comes in, I do not see why; and provided it can be made as efficient as it has been made here.

Senator PLATT. Do you see any reason, as to interstate traffic, why a board of national commissioners with similar powers to those of this commission would not be able to accomplish a similar result?

Mr. SPEARE. I do not know but that they might. But I should be fearful. That is all. I should be fearful of conflicting State authority. So far as our Massachusetts law works, it has been, in its operation so far as I know, entirely satisfactory to both the community and the railroads. The commission has done justice on both sides and has looked at the subject in a fair and reasonable manner.

The CHAIRMAN. That idea seems to prevail all over the State?

Mr. SPEARE. I have never heard it questioned.

Senator PLATT. But they cannot regulate interstate traffic; that is, traffic through other States?

Mr. SPEARE. No, sir. We do not find that we need it in this State.

Senator PLATT. Is it worth while, since you found it necessary to have this legislation and these commissioners with reference to your own traffic, to leave this great interstate traffic without any regulation at all?

#### DIFFICULTY AS TO NATIONAL REGULATION.

Mr. SPEARE. I am very fearful of the result, when you shall attempt to legislate as to interstate commerce covering the whole country, with all the different laws and all the different State charters and different rights which have induced capital to build the railroads. For instance, take New Mexico; that is a new country. Railroads were induced to go in there under certain promises, as that they might charge so much per mile, &c. Capital would never have been furnished except for that promise which was given to it. I simply mention that because that has come within my own knowledge. Probably there were other railroads built under like circumstances. Can you reconcile one set of conditions with another, and carry out the charter rights of these companies under this law that you propose?

Senator PLATT. You would not think a railroad in New Mexico, or anywhere else, ought to be permitted to give undue or unreasonable preferences or advantages to, or in favor of, any person, or firm, or corporation?

Mr. SPEARE. Not in the sense in which the law is administered and intended in this State. For instance, suppose you bill a car-load of goods from here to Santa Fé, and the railroad there takes it upon a through rate, but on local business it charges its local rate. The question is whether that can be construed by such a commission as our commission here as fair and right for them to charge a local rate at home or a different rate on through business. You see where the question comes in on construction.

Senator PLATT. I do not suppose that anybody contemplates that a commission dealing with interstate commerce would insist that the through and local rates should be the same.

Mr. SPEARE. You know there have been bills introduced in Congress which said that no more shall be charged per mile for one kind or class of goods than another.

Senator HARRIS. I think it would be safe to say that no member of this committee has any such idea.

Mr. SPEARE. I am not antagonizing the committee, but I am stating the facts as I see them. You gentlemen know better than I do with reference to such a law being introduced.

Senator MILLER. Are you engaged in shipping from Boston to Chicago and from Chicago to Boston, or is your business confined to the export trade?

Mr. SPEARE. No, sir; my business is mostly from the West. Formerly I shipped largely to the West. I have business from Chicago, and Saint Louis, and Massachusetts and other sections.

#### INFLUENCE OF MARKETS UPON RATES.

Senator MILLER. If there should be no pool among the railroads and it should turn out that the rate on grain from Chicago to Boston was 5 cents per 100 pounds more than it was to New York, would you not think there ought to be some regulation of that business?

Mr. SPEARE. I think the price of the goods in the various markets govern that very largely. Some gentleman before you this morning was a little mistaken, I think, in stating that the rates on export goods to Boston and New York were the same. They are equalized by the ocean rates. But the rate locally is almost invariably 5 cents per hundred more than to New York.

Senator HARRIS. And that much less for Liverpool?

Mr. SPEARE. Yes, certainly. On the majority of goods the rates are made in Chicago at a through rate.

#### OCEAN RATES AND RAIL RATES.

Senator MILLER. The ocean rates are not a fixed quantity at any time. They are constantly changing. That depends upon the number of vessels in port?

Mr. SPEARE. Yes, sir.

Senator MILLER. During one week the rate may be one thing, and during another week it may be a great deal more or a great deal less?

Mr. SPEARE. Yes, sir.

Senator MILLER. Do you say that the pool rates correspond with the changing of the ocean rates?

Mr. MILLER. I mean that those lines have their agents in Chicago and their rates are generally made there. The railroads look out to get their part of that rate.

#### THROUGH BILLS OF LADING TO EUROPE.

Senator HARRIS. I understand you that the shipper in Chicago of goods for export gets his bill of lading for Liverpool?

Mr. SPEARE. Yes, sir; a through bill of lading.

Senator HARRIS. And the shipment from Chicago to Liverpool via Boston is equal to the same shipment from Chicago to Liverpool via New York?

Mr. SPEARE. You can see that the buyer in Liverpool does not care what route it goes over.

Senator HARRIS. The freight charges by one route or another are the same?

Mr. SPEARE. Substantially the same; or you can see that Boston would not get any freights to send.

Senator HARRIS. How much of that freight is paid to the railroad from Chicago to Boston and from Chicago to New York, this bill of lading does not accurately say?

Mr. SPEARE. That I cannot tell you. There is a certain amount, of course, that the steamship company has to advance when the freight gets there—when it arrives at Boston; and that would show the rebate on the rate. But when there is a pool, of course they all live by that pool, and that rate, no matter what route it goes by, is paid by the steamship company.

Senator PLATT. To what extent are bills of lading made through from Chicago to Liverpool?

Mr. SPEARE. I could not answer you that. I should say that the majority of the grain that is shipped is on through bills of lading. It is not so as to lard and pork and things of that kind.

Senator PLATT. What interest has New York or Boston or any other sea port in that business? Where does the Boston shipper's interest in the business come if a through bill of lading is made out to Liverpool from Chicago?

Mr. SPEARE. Are not our railroads interested in having it come there? Are not our vessels interested in having it shipped here?

Senator PLATT. But I am not talking about the shipping.

Mr. SPEARE. If it goes to New York it is natural that the business man in New York should have his business there. He wants it to come to his own city where he is doing business.

Senator PLATT. It puts you out of the business of shipping grain to Liverpool, does it not?

Mr. SPEARE. Not at all.

Senator MILLER. The merchant here makes his transactions in Chicago, but he is still the commission merchant and the shipper of goods.

Mr. SPEARE. I am not in the grain business.

Senator PLATT. I was trying to get at an understanding of the mode of doing business.

Mr. SPEARE. Mr. A in Liverpool telegraphs to me, if I am a commission merchant, and asks what I can give him a cargo of wheat for. I immediately telegraph to my agent in Chicago and ask what he can buy such a cargo of wheat for, and what rates he can get. Then I go to the steamship company and get the rate, and I take the two together and send word to my Liverpool correspondent.

Senator PLATT. Then the business is done here?

Mr. SPEARE. Yes, sir.

The CHAIRMAN. You deal with the man in Liverpool and with the man in Chicago also?

Mr. SPEARE. Precisely. I buy it from here.

Senator PLATT. If the railroad companies practically extend their lines of communication to Liverpool; in other words, if they consolidated with the steamship lines, that will tend eventually to drive the business away from the sea-board, will it not? The Liverpool man will be likely to make his contract direct?

Mr. SPEARE. If Chicago were the only place of shipment and Liverpool the only point to receive, yes, sir. But inasmuch as there are fifty or a hundred places in this country where grain is shipped from, and the price of grain varies, there must be an intermediate merchant who

can touch at once all these various points, and then gather the information together and communicate to the man at Liverpool.

Senator PLATT. A gentleman in New York, representing the Produce Exchange there, testified before us that the through bills of lading from Chicago to Liverpool he thought were made to cover special rates to shippers in a great many instances; have you any knowledge on that subject?

Mr. SPEARE. I have not.

#### A NATIONAL COMMISSION.

The CHAIRMAN. To sum up your views, as I understand it, you favor a national commission?

Mr. SPEARE. If I were to express my honest judgment I should say, no legislation whatever by the General Government. If legislation must be had, then in the line of the Massachusetts commission.

Senator HARRIS. Regarding legislation as an evil you want as little of it as possible?

Mr. SPEARE. I want the best if we are to have any.

Senator MILLER. You say the Massachusetts law has worked well?

Mr. SPEARE. Yes, sir.

Senator MILLER. Therefore you argue that it would be dangerous to have national legislation of the same kind?

Mr. SPEARE. No, sir; I did not say that. As I said before, under like circumstances. I think it is impossible for you to link a line of thirty-eight States and make it equal to a single State.

Senator MILLER. It is quite true that we have State governments, and that they go on and discharge their functions perfectly; and we have a Federal Government and it discharges its functions more or less perfectly. The system works well as to the States, and it may work well with the Federal Government.

Mr. SPEARE. Exactly.

The CHAIRMAN. With reference to through business from Chicago, Massachusetts has a commission, New York has a commission, Ohio has a commission, Indiana and Illinois also have commissions. In other words there is a commission substantially, if not entirely, all along the trunk lines leading East and West. Nevertheless, according to your statement, as I understand it, there are inequalities and preferences given, more or less, by the railroads to shippers who are dealing in the various products of the country and shipping them from one side of the country to the other. If that is so, notwithstanding the fact that all these States have commissions, would it not be well, in your judgment, that the National Government should have the control of the interstate commerce running through these different States, and should have a commission with some power to look after it?

Mr. SPEARE. I think you have drawn an inference from what somebody else has said. I am not aware that there are any inequalities. I do not know of any inequalities that the community, or the merchants of Massachusetts, have a right to complain of, so far as the railroads are concerned.

#### MASSACHUSETTS CANNOT COMPLAIN OF PRESENT RATES.

Senator PLATT. Do you think you get the same rates from Chicago on goods which you are dealing in that every other merchant in Boston in the same business gets?

Mr. SPEARE. I never have had any reason to believe otherwise. Of course I move in car-loads what I do move, and I believe I get substantially the same rates, if I make my contracts at the same time.

Senator PLATT. Nobody gets any better rates than yourself, you think?

Mr. SPEARE. No, sir.

Senator HARRIS. Have you any reason to suppose you get any better rates than other people?

Mr. SPEARE. No, sir.

The CHAIRMAN. In your judgment, then, things are in pretty good shape all along the line?

Mr. SPEARE. I do not know how you can better it. The consumers of Massachusetts are getting their goods from the West at less than one-half the cost of transportation.

The CHAIRMAN. Who is paying the bills?

Mr. SPEARE. The railroad stockholders, as a gentleman told you this morning.

The CHAIRMAN. Are you sure of that?

Mr. SPEARE. I feel quite sure of it.

The CHAIRMAN. Is it not probable that the local trade along the lines of these roads is paying the bills?

Mr. SPEARE. But when the railroads do not pay any dividends of any kind, I do not see that anybody is getting anything except the people.

Senator PLATT. The Boston and Albany Railroad still contrives to pay dividends?

Mr. SPEARE. Yes, sir; it does. I am not a stockholder in that road. But I say that there is no man living who has a right to complain of its rates, either local or through. But when you take the fact that the Lake Shore and Michigan Southern, which is one of the best railroads in the country—when you see freight brought from Chicago to Boston for 12½ cents per hundred, it will not take long to figure to see who is doing the business and where the cost is.

Senator PLATT. The Boston and Albany, which is sharing in that business, is getting more or less of an advantage by it?

Mr. SPEARE. Mr. Furber told you the cost. He says it is done at a loss.

Senator PLATT. Still, the Boston and Albany does make some dividends?

Mr. SPEARE. Yes, sir.

Senator PLATT. How does it make its dividends if the business is done at a loss?

#### BOSTON AND ALBANY PAYING DIVIDENDS.

Mr. SPEARE. By its general business as a whole. It has a passenger and local business.

Senator MILLER. It pays its dividends out of the local business?

Mr. SPEARE. Probable that is so.

Senator PLATT. Is that a good plan, that it should recoup the loss on the through business out of the local business?

Mr. SPEARE. The Boston and Albany Railroad, had it not a large reserve capital that it earned in former times by its economy and care, could not do business at that price.

Senator MILLER. Do you say the Boston and Albany is paying dividends out of its surplus?

Mr. SPEARE. No, sir. I mean its surplus earnings in past years,

which have gone into construction, &c., and its large business, enable it to pay dividends notwithstanding some of the business is done at a loss.

Senator PLATT. Of course it has a very large passenger traffic, and probably a favorable one.

Mr. SPEARE. Yes, sir.

#### LOCAL TRAFFIC SHOULD PAY LOSSES ON THROUGH TRAFFIC.

Senator PLATT. But to come back to the question, I ask you whether it is right or best for the entire community that a road shall be doing a portion of its business at an absolute loss and recoup out of its other business?

Mr. SPEARE. I think it is right, and I will tell you why. If you had to charge always what would be a fair price on all your business, I do not know what would be done for wheat and corn in our barren New England. The grain business is done as a rule at about cost, or less than cost, and the consumers receive the benefit of it.

Senator PLATT. It is utterly subversive of the doctrine of equal rights as between citizens.

Mr. SPEARE. I do not know what are equal rights, exactly. You let a man have his barrel of flour for 50 cents less than the absolute cost, you charge him a little profit upon his ticket for travel, and it makes the thing about right.

Senator PLATT. Suppose he does not want to ride?

Mr. SPEARE. He probably will, in this country. Most people ride. The fact shows that most people here do ride.

The committee adjourned until to-morrow, at 10 o'clock a. m.

BOSTON, May 26, 1885.

#### WILLIAM H. LINCOLN'S STATEMENT.

WILLIAM H. LINCOLN (manager of steamship lines between Boston and Europe) appeared.

The CHAIRMAN. Will you state your business?

Mr. LINCOLN. I will state that my acquaintance with the business of railroads has come to me through the management of steamship lines to the ports of Europe. For the past twelve years I have had the charge of different steamship lines running from this port to Europe. During that time there have been great changes, of course. When we first commenced there was but one line of steamers running to Europe, the Cunard Line; and they only maintained during a portion of the year a fortnightly service. The business has largely developed since that time, owing to the facilities that have been rendered by the railroads. I think the first start that we received in that direction was owing to the action of the New York Central Railroad, in connection with the other lines, in making the rate of freight on through cargoes from the West to Europe, basing it upon equal rates through New York. That is to say, from Chicago to New York the rate upon the cargo was made the same as from Chicago to Boston, and Chicago to Boston the same as Chicago to New York. We were put on equality as regards export freight. This does not apply to freight coming to Boston to be distributed here. It applies only to freight upon which was issued through bills of lading.



## ADVANTAGES OF EQUAL RATES.

That gave us a great advantage at the outset. During the summer time we were enabled to compete with New York, on account of the water transportation and the low rates that prevailed. But within the last three or four years, at least, the inland rates by rail have been so low, as compared with the water rates, that we have been enabled to maintain the service here throughout all the year. Of course that has been a great advantage to Boston, as well as to all other seaboard ports that do not have water connection with the interior, as have New York and Montreal. I do not think that the shippers can complain of rates of freight. In fact, as compared with what they were a few years ago, it seems to me the rates at present are ridiculously low.

The CHAIRMAN. You are talking about through rates now?

Mr. LINCOLN. No, sir. Through rates are based upon inland rates. We give the ocean rates, which also are very low.

Senator PLATT. Mr. Lincoln, you do not understand the chairman, I think. When you say "through rates" you mean through rates to Liverpool.

Mr. LINCOLN. No, sir. I meant the through rates to Boston. It is in connection with the through rate to Europe; but the rate I had reference to was the inland rate.

## RATES TOO LOW.

As I say, I think that the rates at present are too low for the interests of stockholders—those who own the railroads—and I do not think there is any complaint on the part of shippers in regard to the rates of freight from the leading shipping points west to the points upon our sea-coast. For instance, 7 cents a bushel from Chicago to New York, in my judgment, is lower than it is proper to carry it for.

The CHAIRMAN. That is on wheat?

Mr. LINCOLN. Yes, sir; on wheat. For my experience has been that the whole railroad business is the worst managed and the most absurdly managed business that is transacted in this country. I do not believe that there is any other business in this country conducted upon such principles as the railroad business. One would naturally suppose that during the summer time, when the railroad systems are brought into competition with water-routes, low rates would prevail. They would naturally be lowest then. But I have frequently known the trunk-line railroads to raise their rates of freight when water-routes opened; and I have as frequently known them to lower their rates when the water-routes were closed and all the produce of the country had to be moved by rail, and when the railroads were so burdened with the business that they had not sufficient cars to transport the produce. I have known them at that time to lower the rates, when they could just as well, without injuring any branch of business, have maintained a paying rate of freight.

## EVIL EFFECTS OF RAILROAD WARS.

But that is in consequence of these insane railroad wars. Shippers from the West, Chicago and other points, have frequently told me that they would be willing and would be glad to pay double the rates of freight if they could have their produce forwarded. As I said, the railroads have been short of cars, and have been overwhelmed with business, and yet they would insist upon taking that business at an unremunera-

tive freight. Therefore, no business in this country needs legislation more than the railroad business.

These are facts that can be easily ascertained. I would like to impress this upon the committee, that at a time when the water transportation routes are closed and the railroads can obtain a fair business, they refuse it on account of this competition with each other, and they put the rates away down to a lower point than will pay for the expense. Again, in the summer time they are raised, when they should be lower; because we must recognize that all the railroad systems of this country from the West to the East and from the East to the West have to be brought in competition with the water-routes; and therefore it seems to me it is eminently proper that the railroad systems during that period of the year should have a lower scale of freight than in the winter time. Again, it costs more to transport freight in the winter time than in the summer, owing to snow blockades and the difficulties the railroads have in that respect. I believe all railroad men say that their expenses are much greater in the winter than in the summer.

#### MAXIMUM AND MINIMUM RATES.

Senator MILLER. In that connection, what do you say as to a proposition to make maximum and minimum rates of freight? Would you think it wise to make a minimum rate of freight, to prevent railroads from doing a losing business?

Mr. LINCOLN. Yes, sir; I should.

Senator MILLER. A maximum rate also?

Mr. LINCOLN. I see no objection to that.

Senator MILLER. In other words, the rates prescribed by law should be such as would pay the railroads?

Mr. LINCOLN. I think, whatever is done, the fact should be recognized that the trunk lines have to compete during six or seven months of the year with cheap transportation by water.

Senator MILLER. The very condition and circumstances of the companies force that upon the railroads, without any law or regulation of any kind.

Mr. LINCOLN. Not necessarily, as I have said.

Senator MILLER. Your statement that they frequently charge higher rates in the summer time than at any other time is rather new to me.

Mr. LINCOLN. It is a fact.

Senator MILLER. Is it a general condition of affairs?

Mr. LINCOLN. I have known it frequently to happen that when the water-routes are opened the trunk lines raise the rate of freight from 5 cents to 10 cents a hundred.

Senator MILLER. The result must be, in all such cases as that, to send all freights like grain and lumber by water, so that the roads would have no business at all.

Mr. LINCOLN. Yes, sir; that has been the result. And yet they have persisted in it.

Senator HARRIS. Do they raise the rates from a competing point such as Chicago?

Mr. LINCOLN. Yes, sir; and you would think in the winter time, when the water-routes were closed, that they would naturally raise their rates. I have known them to lower them at that season of the year.

#### EFFECT OF RAISING RATES IN SUMMER.

Senator MILLER. Does any harm come to the commercial community from the fact that the railroads raise their rates in the summer time,

when water communication is opened, when the water is there and the people can use it? What harm is done?

Mr. LINCOLN. It is an injury to those ports that have not the water-routes in connection with them. For instance, it is an injury to the port of Boston. It is a fact that the trunk-line railroads of this country could practically close the port of Boston to European ports. They have it in their power to do it.

Senator MILLER. The evidence given here yesterday by nearly all the gentlemen was that they were entirely satisfied, if not more than satisfied, with the present management; but they were willing to trust the railroads.

Mr. LINCOLN. Yes, sir; but there is another point in connection with this, and that is, the stability of the rates. The rates are so fluctuating and variable, almost from week to week, it unsettles and disturbs business very much.

Senator MILLER. That is a very important point. I would like you to bring that out very fully.

#### EFFECT OF FLUCTUATING RATES.

Mr. LINCOLN. A man who ships, say, for instance, 100,000 bushels of grain does not know to-morrow but that the rate may be lowered 5 cents a bushel, or 5 cents a hundred, which would be 3 cents a bushel. Therefore, there is that feeling of insecurity in doing business. Then, parties who ship large amounts will command a preference over parties who have a smaller amount, and they can obtain a lower rate of freight. One effect has been, and I have noticed it frequently and felt it to my disadvantage, that when the railroads will advance the rate of freight I suppose they give sometimes not more than twenty-four hours' notice.

#### SUDDEN CHANGES IN RATES DEMORALIZING.

They notify you on Saturday, say, that the rates will be put up on Monday 5 cents a hundred. What is the effect? The effect is to paralyze business. The shippers are incredulous. They do not believe that rate is meant to be enforced, and so they do not buy or ship. The business of the country is brought to a standstill. I have known the time when for more than a week at a time we could not engage any freight at all, because the shippers were holding back, believing the rates would not be held up. Frequently they have succeeded in forcing the railroads to put the rates back again. I think if anything could be done to secure stability in the rates, it would be of more importance than the rate itself.

Senator MILLER. What would be the effect when the railroads made a large reduction without notice?

#### NOTICE OF CHANGES NECESSARY.

Mr. LINCOLN. The effect of that is, to a person who has large amounts in transit, that it enables those who avail themselves of that to compete to his disadvantage.

Senator MILLER. Does it ever happen, in your judgment, in business, that particular shippers are favored by getting advance knowledge of a change of rates?

Mr. LINCOLN. I could not speak from positive knowledge in that respect, although I have no doubt it exists. I have understood that it has existed, although I could not say of my own knowledge.

Senator MILLER. The result, then, would be very disastrous to those not knowing it?

Mr. LINCOLN. Yes sir. There is a great deal of favoritism in this business.

The CHAIRMAN. Favoritism by the railroads.

Mr. LINCOLN. Yes sir. A large amount of the exports of this country, if I might say it, is conducted upon through bills of lading. The shipper at the West will obtain an ocean rate from Boston to Liverpool, say, he then goes to a railroad agent and obtains the inland rate. That makes the through rate, say, from Chicago to Liverpool. Then he sends that information over to parties in Liverpool or to the agent in New York, or wherever the point may be. That produce is sold sometimes—frequently—before it is put into the railroad cars; the whole transaction is completed. Now, business is done upon such small margin and in such large volumes in these days that a small difference in the rate of freight is the profit.

The CHAIRMAN. It makes for that man his profit or destroys all his expected profit, as the case may be?

Mr. LINCOLN. Yes sir. Or destroys all business. I have known cotton turned from the Southern points either to New Orleans or to New York or Boston by the difference of one hundred and twenty-eight thousandths of a penny per hundred pounds. Such a slight difference may turn the shipment of that cotton from one route to another. It seems almost incredible, but such is the fact. If a very small fraction will divert the shipment of merchandise to one port or another from the Western or Southern points of shipment, it shows on what very small margins the whole export trade of this country, in its large staple products, is conducted. Therefore, the question of transportation becomes one of immense importance, and is scarcely to be realized by those not familiar with the business.

#### PUBLICITY OF RATES AND CHANGES.

Senator MILLER. What do you say, then, as to the proposition to compel all the inter-State rates to be published, and that a notice of a change be required five, ten, or twenty days before the change is made?

Mr. LINCOLN. I think that would be equitable, so as to give parties who have merchandise in transit the opportunity to have it all delivered before any change goes into effect.

Senator MILLER. How many days notice of the change do you think would be just between the railroad and the shipper—five or ten?

Mr. LINCOLN. I should think it should be at least ten days.

Senator MILLER. The average length of time for the shipment of grain from Chicago to Boston is how many days?

Mr. LINCOLN. It is about ten days.

Senator MILLER. Then the notice would be about the length of time the grain would be in transit.

Mr. LINCOLN. Yes, sir; I should sooner make it fifteen days than ten, I think. Then, again, I do not think the rate should be frequently changed. There is where the mischief comes, in the changing of the rates. Shippers do not know what to depend upon, and the whole business of the country sometimes is blocked. If the rates are put up, and shippers are not inclined to pay them, believing the rates will be lowered, or if shippers believe that the rates existing will be lowered, they hold off from shipping, and the business of the country suffers a check.

Senator MILLER. What do you think of the proposition that the busi-

ness of the country which is competitive with water-routes should have two rates in the year, summer rates and winter rates?

Mr. LINCOLN. That is what I indicated, I think. That is what should be done, in my judgment. This is such a broad subject that it is difficult to prescribe any remedy; but it seems to me that a commission similar to the one we have in this State, with certain powers, would be effective. I do not see any impropriety in the railroad system of this country being brought, to a certain degree, into subjection. I do not believe the present rates of freight are the result of the desire on the part of the management of the railroads to serve the public. I think it is simply the result of competition and the desire to secure business.

The CHAIRMAN. It is the result of competition among themselves, and is not done with a view to the interests of the public?

Mr. LINCOLN. Yes, sir. I do not think it arises from any desire on their part particularly to serve the public.

#### DISCRIMINATIONS IN LENGTH OF HAUL.

There is one other point that I would like to touch upon. I refer to the matter of discriminations in respect to distance. I see no propriety in carrying freight a thousand miles for the same rate that it is carried 100 miles on the same line of road. I do not think there is any justice in that. There is a certain propriety in having a large amount of freight transported for a less sum per hundred pounds than is charged for a portion of a car-load or a small quantity of freight.

But the railroads have two tariffs, so to speak—one to what they term a competitive point, and one to what they term a non-competitive point. They fix what is called, and it is rightly named, an arbitrary rate upon all non-competitive freights. It is arbitrary, and it works to the great disadvantage of all points that are not favored with competition, as you can readily see. It is in the power of the railroads to build up a city or to destroy one, almost, if it is a manufacturing city, where the rates of freight enter so largely into all business conducted there. I know of places in New England, I know of paper mills for instance, that are located at non-competitive points, that have to pay larger rates of freight, in proportion, for all the chemicals and everything they use in the product of paper, than are paid by mills located where there is competition, although the distance be not one-half as great. Of course there is injustice in that. The fact that there is competition to one point does not affect the cost of transportation. It should not. Of course that locality is favored in having two lines of communication to it; but there is no reason why it should enjoy such a great advantage over a point 10 miles from it located on one of the same lines of railroad.

Senator MILLER. What is your remedy for that evil? Is it a *pro rata* freight rate, or a provision that not more should be charged for a short haul than for a long?

Mr. LINCOLN. It seems to me that it would have to be fixed more in a general way; that it should be somewhat based on the mileage.

Senator MILLER. If you base it upon mileage *pro rata*, what becomes of Boston in the foreign grain trade? It is the farthest point from Chicago and the grain fields of any of the Atlantic ports.

Mr. LINCOLN. It is 50 miles farther to Boston from Chicago than to New York. But if the rate were *pro rata*, the difference of 50 miles would be this small figure which was spoken of which was sufficient to turn cotton from one point to another. Of course the same difference would turn

grain from one point to another. It is several hundred miles farther from the grain fields than Baltimore. Baltimore enjoys a lower rate of freight than either Boston or New York, and the steamships or any vessels going there have to obtain a higher rate of freight from Baltimore, because it is a greater distance from Europe.

The CHAIRMAN. It is equalized in that way?

Mr. LINCOLN. Yes, sir; to a certain extent; although the former does have a certain preference in the exportation of grain. The steamers that come there seeking for freight come in ballast, and there are large fleets of what are called tramp steamers seeking Baltimore and Philadelphia.

#### OCEAN FREIGHTS.

Senator MILLER. They go to a point where they are likely to get the highest rate of freight?

Mr. LINCOLN. Yes, sir.

Senator MILLER. And they go generally to the larger ports, because at the larger ports there is a greater variety of freight to be given out. Can you say there is any regularity or certainty of the rate of freight being lower from Baltimore than from New York, or Philadelphia, or Boston; in other words that it is any fixed factor which is not constantly changing? The rates of freight of Baltimore or Boston or New York are quoted in the papers every day?

Mr. LINCOLN. Yes, sir; the rate of freight from Baltimore to Liverpool is invariably higher than from New York or Boston to Liverpool.

Senator MILLER. You state that from your knowledge of the shipping business?

#### NEW YORK V. BALTIMORE.

Mr. LINCOLN. I do; yes, sir; in the summer time. I refer to it as in connection with the transportation to England. In the summer time, New York, by means of her water transportation, is enabled frequently to pay as high rates as they do in Baltimore, though for the greater part of the year Baltimore pays a higher rate of freight. The inland rate, I think, is 5 cents a hundred less to Baltimore than to New York, on account of its being a shorter haul.

Senator MILLER. That is an arrangement of the pools, as I understand it.

The CHAIRMAN. That was the conclusion of Mr. Washburn and Mr. Cooley, in that commission which investigated that subject, was it not?

Mr. LINCOLN. I do not say that.

The CHAIRMAN. They determined that there was that difference.

Mr. LINCOLN. And Boston is put upon an equality with New York. That has built up our commerce here.

Senator MILLER. Whatever the regulations of the Government are, they must be made upon some principle. You speak of a *pro rata* rate as being the correct principle. It must be made absolute and fixed if the Government touches it at all. And if it is made so, and if all the inter-State commerce must be carried upon absolute *pro rata* rates, does not that shut Boston out from the foreign trade of the country?

Mr. LINCOLN. I do not think it would entirely.

Senator MILLER. Would not the vessels coming here reduce their rate to make up the difference?

Mr. LINCOLN. We are taking grain to-day at a penny a bushel less than they are taking it from New York to Europe. The freight from

New York to Liverpool is 2 pence half penny. I am offering to take it at a penny half penny.

Senator MILLER. What makes the difference?

Mr. LINCOLN. I think it is partly on account of the stocks of grain already in New York, partly on account of the water transportation rate, which is very low. We can exist in Boston with an ocean rate, say, on corn of from a half penny to a penny a bushel lower than at New York, because the expenses here are less than they are in New York and it is a shorter distance from here to Europe.

Senator MILLER. Have you any certainty of always getting that lower rate? What certainty can the port of Boston have that it is always to have a lower rate upon grain or any produce to Liverpool than the rate from New York to Liverpool?

Mr. LINCOLN. I do not understand.

Senator MILLER. What assurance can the commerce of Boston have that it will always have that regulator in its hands? You cannot control it by law.

Mr. LINCOLN. No, sir; sometimes we merely obtain equal rates of freight from New York. As a rule, the year around the rates of freight are a little lower from here than from New York. The average rate for the year is lower here.

Senator HARRIS. That is, you think, owing to the fact that it has a shorter ocean line, is it not?

Mr. LINCOLN. Yes, sir.

Senator MILLER. Do you think the merchants of Boston engaged in the foreign trade would be willing to go back to the old system when the rate from Chicago to Boston was more than it was from Chicago to New York?

Mr. LINCOLN. No, sir; I do not think they would like to.

Senator MILLER. Then they would not be willing to apply the *pro rata* rate?

Mr. LINCOLN. Not for the through freight.

Senator MILLER. You would have to come to the rule of no more for the short haul than for the long.

Mr. LINCOLN. I was speaking of the discrimination made against non-competitive points. Boston is a competitive point. The Grand Trunk road has done a great deal for Boston. That is a Canadian road. We are in connection with the New York Central, and with the Delaware and Lackawanna, and the West Shore, and the Erie roads. Boston is in direct connection with all these great trunk lines. So that I consider Boston decidedly a competitive point.

Perhaps you did not notice what I said in relation to the rate being made the same to Boston as to New York. It applies only upon export freight. Of course there are large volumes of freight that are brought here from the West and South that end here and are distributed from here. That freight pays 5 cents a hundred pounds more than the same freight to New York. But I think points are placed at a great disadvantage that have these arbitrary rates fixed to them.

The CHAIRMAN. Would you or not believe that if Congress were to pass a law providing that there should not be charged more for a short haul than for a long one on all inter-State commerce, it would remedy the evil to some extent which now exists as between a competitive and a non-competitive point?

Mr. LINCOLN. Yes, sir; I think it might be met in that way.

The CHAIRMAN. As a matter of fact, as you travel over the country

you may travel 15 or 20 miles, perhaps, before you will find a competitive point?

Mr. LINCOLN. Yes, sir.

The CHAIRMAN. If a law were passed by Congress providing that there should not be more charged for a short than for a long haul as to those competitive points, that would be some remedy?

Mr. LINCOLN. Yes, sir; I think that perhaps might be more equitable than the other plan. The trouble seems to be that this through business and the business to competitive points is conducted at a loss; so that the railroads are obliged to recoup themselves by charging a higher rate to these non-competitive points.

The CHAIRMAN. You say they actually do carry through freights at a loss. Do you know that to be so, or do you only infer it?

Mr. LINCOLN. I know that the presidents of the railroads have told me so themselves. The president of the Boston and Albany road has told me repeatedly that a through business was a burden and a loss to the railroads; and the president of the Fitchburgh road has told me the same thing. They all seem to agree that this through business is conducted at an actual loss to the railroads; that is, for the past three years.

Senator MILLER. On what reason or principle do they then continue it?

Mr. LINCOLN. That seems to be the marvel—that they are all striving for it and entering into vigorous competition with each other to secure this business which is conducted at a loss. I do not know whether it is a matter of pride with them or what it is.

The CHAIRMAN. It is in the hope with them, perhaps, that if they get through with this war they will not have any more wars.

Mr. LINCOLN. Something of that kind, I suppose. I suppose it is difficult to eliminate the through business, after all, from their local business. That is to say, it costs the same to keep up the management of the road, and there is all their equipment remaining the same, and it is only a question of the motive power and the wear and tear.

The CHAIRMAN. The roads built from Boston to Chicago feel that they are compelled to run their cars between the two cities; whatever they can pick up they think they had better take, whether it pays them or not?

Mr. LINCOLN. Yes, sir; but I do think if this through business could be conducted on business principles, that it would not be done at a loss. I believe it could be made to pay a reasonable profit, and that the interests of the companies would be better subserved than they are to-day at these ruinous rates, because I believe these two things are what are absolutely necessary: First, stability as to rates; and, next, some legislation to prevent unjust and unwise discrimination. I think those are the two great evils under which we are laboring to-day. It is not that the rates of freight are too high. They are too low.

#### POOLING ARRANGEMENTS.

The CHAIRMAN. For some years past there has been a system of pooling in operation?

Mr. LINCOLN. Yes, sir.

The CHAIRMAN. The purpose ostensibly being to secure stability of rates.

Mr. LINCOLN. Yes, sir.



The CHAIRMAN. And also as a means of preventing unjust discrimination?

Mr. LINCOLN. Yes, sir.

The CHAIRMAN. As a matter of fact, however, your experience would indicate to you that it has not succeeded in that, would it not?

Mr. LINCOLN. I consider that pooling system a perfect farce, enabling certain individuals to reap great advantages, to the detriment of all others engaged in business. That is my opinion of the pooling business.

The CHAIRMAN. How do they do that?

Mr. LINCOLN. By private agreements. The railroad agents just violate that pool whenever they see fit.

The CHAIRMAN. I suppose they could make those private agreements without reference to the pooling system, could they not?

Mr. LINCOLN. Yes, sir; I presume they could. I have violated a pooling system myself. I have done it time and again.

Senator MILLER. Was not the original intention of the pool to prevent private agreements and to make uniform rates from all competitive points over all the railroads to all shippers alike? Is not that the ostensible object of the pool, and at the same time to protect the railroads from unjust competition one with the other, and driving rates down below the profitable point?

Mr. LINCOLN. I presume it was. But you see there was no real authority. It was not like the strong hand of the Government.

The CHAIRMAN. It was voluntary?

Mr. LINCOLN. Yes, sir.

Senator MILLER. What would be the objection to legalizing the pooling system and having it under the control of a Federal commission, which would have power to enforce it and to judge whether the rates were too high or not? What do you say as to that?

Mr. LINCOLN. I do not look with favor exactly upon the pooling system, especially as it was conducted in some features. For instance, a man had a shipment, say, of a thousand bales of cotton to make. He would have his bills of lading for that. The railroad agents go to work and send that cotton by three or four different routes through to Boston. My steamer would be waiting for that cotton, and the shipper would not know himself how that cotton would be transported to Boston. The railroads would divide it up to suit themselves, so as to give each road in the pool its proportion of the freight, and the cotton would come here, some in season to go by the steamer and some not, and the shipment would be all split up.

#### EVILS OF DIVERTING FREIGHT.

Senator MILLER. That is the evil of the diversion of freights. You do not believe in giving the roads the right to divert freight from the line which the shipper selects?

Mr. LINCOLN. No, sir; I do not.

Senator MILLER. Of course, under the law they have not the right to do that now.

Mr. LINCOLN. I do not know how that is.

Senator MILLER. You can contract here to ship your goods over any route you see fit to choose?

Mr. LINCOLN. Yes, sir.

Senator MILLER. Is it not true that under the pooling system, where that was done, it was done by agreement in the bill of lading that the

pool had the right to divert the freight? Was not that the condition by which the lower rate of freight was granted?

Mr. LINCOLN. I am not aware that that exists in the bills of lading.

Senator MILLER. I understand that all the bills of lading issued under the pooling system contain that provision.

Mr. LINCOLN. Our through bills of lading to Europe were not changed at all. They are the same that we have had for years.

The CHAIRMAN. Before the pool existed you had the same bills of lading?

Mr. LINCOLN. Yes, sir. I do not think that as to through freight there has been any special contract of that kind in the bill of lading.

Senator MILLER. It was so stated in New York.

Mr. LINCOLN. I could furnish you with copies of those through forms if you would like to have them. I have plenty of them.

The CHAIRMAN. Will you send one here?

Mr. LINCOLN. Yes, sir; I do not think there was any special provision.

The CHAIRMAN. You have stated about the shipment of a thousand bales of cotton from some of the Southern States. That cotton is billed by the party at that end of the line, is it?

Mr. LINCOLN. Yes, sir.

The CHAIRMAN. The contract is made with the railroad down there?

Mr. LINCOLN. Yes, sir; by the party who ships it. It goes over three or four different lines of railroad. Sometimes it is unloaded on the route and loaded again into other cars.

The CHAIRMAN. You are here waiting for it, and have to send it to Europe by piecemeal.

Mr. LINCOLN. Yes, sir. Railroads handle that freight and divide it up as they please, which I think they have no right to do. Certainly it is a disadvantage to the owners of the property.

#### HOW FAR LEGISLATION SHOULD GO.

Senator HARRIS. Do you think that legislation could go farther in attempting to regulate freight rates than, as you suggested, to fix a maximum and minimum rate and to prohibit a greater charge for a short than a long haul? Should legislation go farther than that in its effort to regulate freight rates?

Mr. LINCOLN. I think that would be a very difficult matter to bring about. I think the plan suggested by the chairman in regard to fixing the power of the railroads to levy additional rates at arbitrary points, non-competitive points, would be a very wise arrangement; but as to entering upon or providing for a schedule of rates, as it were, for all the different railroads, I think it would be a very difficult matter.

Senator HARRIS. My question was, whether or not you thought legislation should go farther than fixing the maximum and minimum, as I understood you to suggest.

Mr. LINCOLN. Yes, sir.

Senator HARRIS. And, in addition to that, to prohibit the charging of a higher rate for a shorter than a longer haul. I do not understand that the chairman has suggested anything of that kind.

#### PROTECTION TO NON-COMPETITIVE POINTS.

The CHAIRMAN. What I suggested would be just was to protect these non-competitive points to some extent.

Mr. LINCOLN. That is what I think should be done.

Senator HARRIS. That is what I understood you; but I wanted to be clear as to whether that was your recommendation.

Mr. LINCOLN. Yes, sir; I should recommend that. It seems to me perfectly proper and just.

#### POOLS SHOULD BE PROHIBITED.

The CHAIRMAN. Let me see whether you understand what Senator Harris states. As I understand you, you are unqualifiedly opposed to the pooling system?

Mr. LINCOLN. Yes, sir.

The CHAIRMAN. Do you think, or do you not, that it ought to be prohibited by law, on the supposition that Congress should do anything towards regulating commerce among the States? Do you think that the pooling should be prohibited?

Mr. LINCOLN. I think, as at present conducted, at any rate, it should be.

The CHAIRMAN. Suppose that, as Senator Miller suggested, permission to railroads to make contracts among themselves should be allowed and not prohibited. Then suppose Congress should provide that there should be a commission, and that that commission should have supervision over and power to examine all contracts made between those railroads which take the form and shape of pooling, and should pass upon the question of whether those contracts are in harmony with the public interest or not. Would you be opposed to pooling if that were done?

Mr. LINCOLN. No, sir.

The CHAIRMAN. So much for that. You are against unjust discrimination, I understand you to say?

Mr. LINCOLN. Yes, sir.

#### PUBLICITY OF RATES AND CHANGES.

The CHAIRMAN. Would you believe that the suggestions or points I have already indicated, together with a provision of law that required publicity of rates, would have a tendency to prevent unjust discrimination? Do you not think that such a provision as would require railroads to publish their tariff of rates, and to give a reasonable notice before they change them, say of five or ten days, would have a tendency to prevent unjust discrimination?

Mr. LINCOLN. Yes; I think it would.

The CHAIRMAN. Would you be opposed to that provision of law?

Mr. LINCOLN. No, sir; but I am opposed to changing rates according to the whims of these railroad managers.

The CHAIRMAN. They must be changed sometimes in the interest of the public?

Mr. LINCOLN. Yes, sir.

The CHAIRMAN. Would you think that five or ten days' notice would be sufficient time to be given by a railroad company when it proposes to change its rates?

Mr. LINCOLN. I think that ten days is the least time that should be given, most decidedly.

#### DRAWBACKS AND REBATES.

The CHAIRMAN. As I understand you, you are against both the drawback and the rebate system?

Mr. LINCOLN. Yes, sir. They throw the whole business into the hands of certain large houses, and discriminate against a hundred other struggling firms who are unable to compete.

Senator HARRIS. They amount simply to a method of discrimination, do they not?

Mr. LINCOLN. Yes, sir. I think railroads, in a certain sense, are public institutions. They receive their charters and have certain privileges that individuals do not enjoy, and I think they are amenable to the public. I do not think they have any right to show favors to one class of the community over another, in any way or shape.

The CHAIRMAN. I have forgotten whether you have been inquired of as to what should be a unit in the transportation of freights. Should there be any concession or difference in the charge to the man who offers a large amount of freight to be shipped as against a man who offers a small amount?

#### THE UNIT IN TRANSPORTATION.

Mr. LINCOLN. I think it should be limited to car-loads.

The CHAIRMAN. You think car-loads should be the unit?

Mr. LINCOLN. Yes, sir; I should think so.

The CHAIRMAN. Suppose you have a car-load to be shipped from Chicago to New York, or any other point West, and your neighbor has a hundred cars; do you think you ought not to pay any more per car than the man who has a hundred, or any given number larger than yours?

Mr. LINCOLN. No, sir; I do not. On this ground: that the railroads are the servants of the public. Of course, if a man is in business and is buying and selling, and another man comes to him and offers to buy of him a very large quantity of merchandise, he has a right to make a little concession to that man. But I consider the railroads are on a different basis from that, inasmuch as they have received certain privileges from the Government—the right of eminent domain, &c. Therefore, I would put that business upon a little different footing. I would not contrast it with mercantile business generally. I think the farmer or the man who has one car-load should be able to ship it as cheaply as his neighbor who has a hundred.

#### WATER-ROUTES SHOULD BE ENCOURAGED.

The CHAIRMAN. You said considerable, in the beginning of your remarks, about the influence that water transportation has upon the inland railroad charges for freight transportation. What is your opinion, as a business man, on the question of what the Government ought to do with reference to water-routes? Should the water-routes be encouraged and be constructed and improved where it can consistently be done under the Constitution, or should Government let them take care of themselves.

Mr. LINCOLN. No sir. I believe in the internal improvements of the country. I believe that water transportation will always be the cheapest.

The CHAIRMAN. Take the case of the Erie Canal, now. As I understand it, it is not doing to-day a very large amount of business. Yet, in your judgment, that canal ought to be kept up?

Mr. LINCOLN. Yes, sir; I think it is of immense value to the State of New York.

The CHAIRMAN. Whether it depends very much on the canal or not?

Mr. LINCOLN. Yes, sir.

The CHAIRMAN. The canal still acts as a regulator?

Mr. LINCOLN. To a certain extent; and is of immense value to the city and State of New York. There is no question about it, in my mind.

Senator MILLER. Is it not of value to Massachusetts and to all New England, in the fact that it absolutely controls the rate on grain from Chicago to the East?

Mr. LINCOLN. No, sir; I cannot see that it is, exactly.

Senator MILLER. You think the rate of freight from Chicago to Albany would have no effect or benefit on New England?

Mr. LINCOLN. Not very much; no, sir. I think that would be rather remote. Boston enjoys water transportation as far as Buffalo by the way of the lakes, and then you bring it by rail from there.

Senator MILLER. But if there were no Erie Canal, would not the rate of freight from Buffalo to Boston and from Buffalo to New York City be much larger than it is now?

Mr. LINCOLN. I presume it would affect the rate to New York City. Whether it would affect the rate to Boston or not I do not know.

Senator MILLER. Why not? From Buffalo to Boston by rail is farther than from Buffalo to New York by rail; and if it would affect one, why would it not affect the other?

Mr. LINCOLN. Because we do not now have any benefit from that canal. And here I would just like to say a word: that some time ago I made an effort to avail ourselves of that canal to certain points in New York. The canal goes to Troy and to Albany and Schenectady. The New York Central Railroad threatened to sever the railroad connection if any grain was brought in that way. They forbade New England having any advantage from the Erie Canal.

Senator MILLER. Can a railroad do anything of the kind successfully? It may do it in a particular shipment. But does not the Erie Canal, by its competition with the railroad system of the country, lay down grain at Albany cheaper than it would be possibly laid down there if there were no Erie Canal?

Mr. LINCOLN. New England has been entirely cut off, by the action of the New York Central Railroad, up to this very day, from all the benefits of the Erie Canal.

Senator MILLER. I do not see how they can cut it off.

Mr. LINCOLN. Because they have forbidden the railroads connecting with them to take any grain that comes from the canal.

#### GENERAL EFFECT OF ERIE CANAL ON RATES.

Senator MILLER. It is not necessary to take the grain from the canal, for it comes by the railroad, at a lower rate. This New England gets the benefit of just as much as if it were shipped by the canal itself. People at Baltimore and at Philadelphia say that the Erie Canal is just as much a competitor of the Baltimore and Pennsylvania Railroads as of the New York Central, and that it absolutely affects the rate from Chicago to any of those ports. Why does it not affect the rate to Boston, then? In other words, if the Erie Canal were closed to-day, would not the rate on grain from Chicago to Boston and from Chicago to Philadelphia be 10 or 15 cents higher than to-day?

Mr. LINCOLN. I think it might.

Senator MILLER. Very well. Then it must affect Boston the same as it affects Baltimore, New York, and Philadelphia, although the grain does not go over the canal at all.

Mr. LINCOLN. As I have said, I have frequently known the railroads to advance their rates at the time the canal was open.

Senator MILLER. It is not possible that the great trunk lines would charge more for carrying grain in the summer when the water-routes were open, except as a spasmodic thing. That could not be continuous. If it were they would do no business at all.

Mr. LINCOLN. It would seem so. I speak from memory in regard to the general principle, and not in regard to detailed facts. But it would be interesting to have a schedule of the rates of freight that have been adopted from Chicago to the seaboard during the different months in the last five or six years.

Senator MILLER. Is it or is it not true that it has been customary for a long term of years for the trunk lines to make what they call summer rates upon grain from Chicago to New York, before this great war of rates came on? Was not that the custom?

Mr. LINCOLN. Yes, sir; I think so.

Senator MILLER. Then the general course must be that the canal regulates the freights, and makes them cheaper, generally, in the summer than in the winter. There may be exceptions to the rule.

Mr. LINCOLN. Yes, sir; but the Saint Lawrence is another regulator, of course.

Senator MILLER. Of course; because grain cannot be carried much cheaper to Montreal than to Boston or to New York. A difference such as you spoke of in the rates of cotton would turn the grain that way.

Mr. LINCOLN. Yes, sir.

#### THE GRAND TRUNK RAILROAD AND POOLS.

Senator PLATT. The Grand Trunk does not come into any of the American pools, does it?

Mr. LINCOLN. They have at times joined these pools; but I do not think they have ever been considered as very reliable in adhering to the rules of the pool.

Senator PLATT. What has their policy been, and what is it now, with reference to the war that is going on among what are called the trunk railroads, between New York and Chicago? Do they follow those roads when they cut rates?

Mr. LINCOLN. Yes, sir. The Grand Trunk road is in the market for business, and, as a rule, it has been rather independent in its action. During the winter time it has supplied the lines of steamships that load in Portland; and we also draw a great deal to Boston through the Grand Trunk road. I receive large quantities of freight from the Grand Trunk line, and frequently I can do better by that line than by any other line, for the very reason that it is independent. In the summer time, of course, there is a large amount of commerce in Montreal, and they have to compete there with the water-routes.

Senator PLATT. If they remain independent, they are, to such an extent, a regulator of freight rates, are they not?

Mr. LINCOLN. Yes, sir; I think they have contributed a great deal in that respect to regulate freights.

Senator PLATT. That is to say, if the trunk roads, through their pools, were to attempt to get the rates up to an exorbitant price, the Grand Trunk road would probably go in for business by making a lower rate?

Mr. LINCOLN. Yes, sir; I think very likely they would. As I said, they have frequently joined the pool.

Senator PLATT. They join when it is for their interest, and when it is for their interest they go out.

Mr. LINCOLN. Yes, sir. As I said, they are not considered very reliable members of the pool. That is the general feeling about it.

#### NEW ENGLAND ROADS AND POOLS.

Senator PLATT. Have the New England roads, so far as you know, gone into the pool, or would they simply take the results of the pool agreement?

Mr. LINCOLN. The New England roads scarcely have a voice in the management of the trunk lines. They have no control. They are merely members of the line, partners in it, without any controlling voice whatever.

Senator PLATT. What roads in the New England system, or what lines of roads in the New England system, do you consider competitors for the export business?

#### THE LINES COMPETING FOR EXPORT BUSINESS.

Mr. LINCOLN. The Boston and Albany and the Fitchburgh. Then there is the Boston and Lowell, which is a part of the Central Vermont line or Grand Trunk. But for the trunk lines west the Fitchburgh and the Boston and Albany.

Senator PLATT. The Fitchburgh is the Housatonic Tunnel road?

Mr. LINCOLN. That is the tunnel road. And the Boston and Albany is the New York Central road.

Senator PLATT. You have said you did not think that railroad management in this country was good management?

Mr. LINCOLN. No, sir; I do not.

Senator PLATT. You speak, I suppose, mainly for the large shippers when you make that statement?

Mr. LINCOLN. No, sir. I had reference as much to the stockholders of the road, the persons who have their capital invested in it, as for those who are interested in the transportation of produce.

Senator PLATT. Do you think that the manufacturing public, the mercantile public, and the general public are satisfied with the management of railroads, so far as they affect them, any more than the shippers?

Mr. LINCOLN. No, sir; I do not think that. I think there has been a great deal of dissatisfaction created by this pooling business, and by the frequent change of rates, and by the discriminations that are made.

#### EFFECT OF MASSACHUSETTS COMMISSION.

Senator PLATT. Do you think the Massachusetts commission works well, so far as the business over the railroads of Massachusetts is concerned?

Mr. LINCOLN. Unquestionably; yes, sir.

Senator PLATT. It has depended largely upon public sentiment to enforce its decisions?

Mr. LINCOLN. Yes, sir. But, as I understand, the railroads themselves are in favor of maintaining this commission. It is a protection to them as well as to the public.

Senator PLATT. I do not know whether you have thought much of the practicability of applying that same system to inter-State commerce; I mean as to those roads that run through different States. Do you see any practical difficulty in doing so?

## A NATIONAL COMMISSION PRACTICABLE.

Mr. LINCOLN. No, sir; I do not.

Senator PLATT. In other words, if it has worked well and had the effect here to do away with abuses, do you see any real, practical difficulty in the way of its accomplishing the same effects with reference to the more extensive inter-State commerce business?

Mr. LINCOLN. No, sir. Of course it is on a much larger scale, and would probably require a larger commission, and all that. There might be more commissioners required.

Senator PLATT. But the national commission would be entirely relieved from a large portion of the duties of the State commission; that is, it would be relieved from the local questions which arise.

Mr. LINCOLN. Yes, sir.

Senator PLATT. And the physical business of the commission—that is, that relating to crossings and locations and all that sort of thing—would be entirely outside of the scope of the national commission.

Mr. LINCOLN. Yes, sir.

Senator PLATT. It would have simply the regulation of the commerce which passes between the States.

Mr. LINCOLN. Yes, sir; the through business, so to speak. I do not know whether it would be proposed to regulate or to interfere with the State statutes.

Senator PLATT. That could not be done.

The CHAIRMAN. The United States Constitution, as well as the State constitutions, would have something to say about that.

Senator PLATT. Then you think the railroad management is bad?

Mr. LINCOLN. Yes, sir.

Senator PLATT. You think it is unfair?

Mr. LINCOLN. Yes, sir; it is.

Senator PLATT. You think it is unfair to the people who do business?

## RAILROADS NEED PROTECTION AGAINST THEMSELVES.

Mr. LINCOLN. Yes, sir; and as at present conducted it is a detriment to the progress and development of this country. Then, it is unfair to the stockholders of the roads themselves. I think that the railroads want protection against themselves.

Senator PLATT. This is a country where the people, under the same circumstances, certainly ought to have equal rights.

Mr. LINCOLN. Yes, sir.

Senator PLATT. Now, if the railroads do not afford equal rights to all, is not the inevitable tendency of that towards demoralization and against the foundation principles of our Republic?

Mr. LINCOLN. Yes sir; it seems to me so.

## GOVERNMENTAL REGULATION A DUTY.

Senator PLATT. In that view, it would seem to be rather a matter which Government ought, if it can, to exercise some regulating influence over.

Mr. LINCOLN. Yes, sir; I think it is; no doubt of it. I think it is a duty that the Government owes to the people of this country.

The CHAIRMAN. Did you hear Mr. Atkinson's testimony yesterday?

Mr. LINCOLN. Only a portion of it. I am somewhat familiar with his views.



## EDWARD KEMBLE'S STATEMENT.

EDWARD KEMBLE (commission merchant, of 201 State street, Boston) appeared and said:

The committee was courteous enough to send me an invitation to appear here. I am very glad to come and say what I can in relation to this great subject of inter-State commerce. I understand, from the circular which the committee issued, that it desires to hear something in the nature of what might be called complaints against the present railway system.

Senator HARRIS. In what business are you engaged?

Mr. KEMBLE. I am engaged in the commission business—mostly breadstuffs, grain and flour.

Senator PLATT. Do you represent or are you connected with any organized body like the Produce Exchange or the Chamber of Commerce?

Mr. KEMBLE. I am a member of the Commercial Exchange and of the Board of Trade. I have been president of the Commercial Exchange.

## RAILROADS SHIRK RESPONSIBILITY.

One of the first great evils, it appears to me, which is troubling the mercantile community, in connection with inter-State commerce, is the want of responsibility, or rather the shirking of responsibility, on the part of the railroads. This is done in various ways, and systematically. Here is one form. It is the custom of many railroads to insert in bills of lading the words "more or less." Of course I do not refer now to the main trunk lines running between the great cities.

I would also say right here that I am not here to complain of railroad rates at the present time. Of course nobody would think of doing that. But this shirking of responsibility which I refer to comes in the way I am about to mention.

These railways are in the habit of inserting in the bills of lading the words "more or less" or "shipper's account." This is done systematically. It is not done exceptionally. It is done regularly where it is possible to do it; and there are thousands of places in this country where the shipper cannot help himself. He is obliged to accept that bill of lading or not do business. Of course under bills of lading of this kind, when the merchandise arrives at the point of destination, the consignees are obliged to receive whatever is delivered to them, and they have no remedy. If the consignee makes a claim for deficiency, the bill of lading is referred to, and the clause "more or less," very often obscurely written, is seen, and he has no claim or standing.

The CHAIRMAN. Does that clause "more or less" refer to the quantity of stuff shipped, or what does it refer to?

Mr. KEMBLE. "More or less" or "shipper's account" are put on the bill of lading for grain; so far as my experience goes, mostly for grain. I have often found the words "shipper's account" on bills of lading for cargoes of flour. Now, it seems to me that the railroads should be responsible to the extent that they shall know what they receive from the shipper, and that they shall assume a proper liability while transporting, which they do not do now in very many cases.

Senator HARRIS. You mean the bill of lading provides or sets forth

that the transportation company has received so many hundred pounds or so many bushels of wheat, "more or less"?

Mr. KEMBLE. Yes, sir.

Senator PLATT. Which they agree to deliver?

Senator MILLER. In other words, they do not guarantee the amount to be delivered.

Mr. KEMBLE. No; sir. I hold in my hand now three bills of lading. There is no amount whatever stated in these bills of lading. Neither are the words "more or less" written on those bills of lading. They are simply filled out for one car of corn each. I am bringing this illustration now, first, to show, in connection with what I have already spoken of, a great system of extortion. Each one of these bills of lading calls for a car of corn simply. These cars were loaded in Ohio. On their arrival here the railroad company unloaded these cars into its elevator and notified the consignee that it held for him 347 bushels out of one car, 389 bushels from another, and 353 bushels from the third car—1,089 bushels in all. The rate of freight was 24 cents per hundred pounds. The railroad collected freight money on 428½ bushels, or 24,000 pounds, on each car, or on a total of 1,285 bushels. That was an excess over and above the amount delivered of 196 bushels, and in money of \$26.44. This is a bills of lading of that form:

[Cleveland, Columbus, Cincinnati and Indianapolis Railway Company. Lucien Hills, gen'l freight agent, Cleveland, Ohio; Edgar Hill, ass't gen'l fr't ag't, Cleveland, Ohio.]

—, —, —, 188—.

Received from — the following property, in apparent good order, except as noted, which they agree to forward, with as reasonable dispatch as their general business will permit, to — Station and there to deliver unto consignee, or next common carrier, if destined to a point beyond the line of this company's road, upon payment of freight and charges, the dangers incident to railroad transportation, loss or damage by fire or the elements while at the depots, excepted; and the further exception of the dangers of lake, river, and canal navigation, if forwarded via lake, river, or canal.

ORIGINAL.

Kemble & Hastings, Boston, Mass.

Via —.

M rk.	Articles.	Rate.	Weight, subject to correction.
D 8778.....	1 car sh. corn.....		

L. B. PECK,  
M.

(Stamped across the heading:) Kemble & Hastings, Boston, Feb. 28, 1885.

(Stamped across the heading:) A. Mayer & Son, Cardington, O., Feb. 26, 1885.

Then there is another form. I have already alluded to the form of shirking responsibility by inserting in the bills of lading the words "more or less" or "shipper's account." These bills of lading call for no amount whatever; but the railroad assumes to demand that the shipper shall ship what it pleases to call a full car-load. This is another way in which responsibility is shirked, to which I referred. When these cars arrived here the railroad sent in its bill of lading for 24,000 pounds on each car, or 428 bushels. The amount turned out, as I just read to you, was 347, 353, and 389. The shipper in Ohio is told that he must ship a full car-load, which is 24,000 pounds. The car is put off on a side track

and I suppose the shipper is told to load it. He loads it to the best of his ability, and when it gets here it turns out 50 or 60 bushels deficient. But the railroad insists on being paid freight on that deficiency. If we send a bill and claim that deficiency as being lost in transit, the railroad declines to pay it. Now, that is a system, it seems to me, of outrageous extortion.

Senator PLATT. Do you mean it is a system, or do you speak of individual and isolated instances?

Mr. KEMBLE. I believe that this system is in general practice at outlying ports, so far as my experience goes. That is my impression.

The CHAIRMAN. All the railroads do it wherever they can, you think?

Mr. KEMBLE. Wherever they can do it they do it. That is my experience. And the writing of "more or less" on a bill of lading is quite common. We find it very often, and other people do also. Under that form of bill of lading, in cases of deficiency, there is no remedy.

Senator MILLER. In the case of the two bills of lading that you have just presented, how did the railroad determine that there was in the one case 353 bushels and in the other 347?

Mr. KEMBLE. As I should have remarked, the railroad unloads in its elevators.

Senator MILLER. And weighs it at that time?

Mr. KEMBLE. Yes, sir.

Senator MILLER. It did not weigh it when it took it from the shipper, but allowed the shipper to put in what he saw fit?

Mr. KEMBLE. I presume that is it.

Senator PLATT. Or, if they did weigh it, they did not give the amount on its reaching here?

Mr. KEMBLE. Yes, sir; or they lost it in transit.

The CHAIRMAN. Do those things occur very often?

Mr. KEMBLE. Yes, sir; frequently. I am not speaking of the trunk lines running from Boston to Chicago or Chicago to New York and Boston, because the system now is pretty well perfected on those lines where large amounts have been carried.

#### EXCESS IN WEIGHT PAID FOR BY MERCHANTS.

The CHAIRMAN. Does it ever happen that there is more corn in the cars than the bill of lading calls for?

Mr. KEMBLE. That sometimes occurs.

The CHAIRMAN. In that case what do you do?

Mr. KEMBLE. In that case the railroad charges so much for the freight, so much per hundred.

The CHAIRMAN. You get no benefit from that, then?

Mr. KEMBLE. No, sir; we get no benefit from that. The principal lines have their elevators. They discharge the corn and weigh it, and if there is any excess over 24,000 pounds they send a bill for it, and you pay the freight for it.

Senator MILLER. Is it not the case that, in making the freight rate for that sort of business, it is based upon a full car-load?

Mr. KEMBLE. I dare say that may be the case.

Senator MILLER. And the railroad expects the shipper to ship a full car-load in order to be entitled to that rate; but if he does not fill the car, they still charge the same as if the car was full?

Mr. KEMBLE. Yes, sir; that is no doubt the case.

Senator MILLER. Is there any particular injustice, thus far in the

transaction, in making a cheap rate upon a full car, and then, if the shipper does not fill the car, in charging the same as if it were full?

Mr. KEMBLE. Certainly not, if that is the contract. But the point I wish to bring before the committee is that the railroad should exercise some responsibility in loading its cars.

#### REFUSAL TO BILL FOR SPECIFIC AMOUNT.

Senator MILLER. The railroad shirks the responsibility of the common carrier by refusing to give a bill of lading for any specific amount?

Mr. KEMBLE. That is it exactly.

Senator MILLER. It furnishes the car, and no matter what is in the car when it gets here, you have to pay for that car, whether any of the corn has been lost in transit or not?

Mr. KEMBLE. That is it. It is the shirking of responsibility. I have two sets of bills of lading, one calling for 24,000 pounds, "more or less," and one calling for no stated quantity. I do not think it is worth while for me to spend any more time upon it. This is another form of bill of lading:

#### ANOTHER FORM OF BILL OF LADING.

[Cleveland, Columbus, Cincinnati and Indianapolis Railway Company. Lucien Hills, gen'l freight agent, Cleveland, Ohio; Edgar Hill, ass't gen'l fr't ag't, Cleveland, Ohio.]

\_\_\_\_\_, \_\_\_\_\_, 188-.

Received from \_\_\_\_\_ the following property, in apparent good order, except as noted, which they agree to forward, with as reasonable dispatch as their general business will permit, to \_\_\_\_\_ Station, and there to deliver unto consignee, or next common carrier, if destined to a point beyond the line of this company's road, upon payment of freight and charges, the dangers incident to railroad transportation, loss or damage by fire or the elements while at depots, excepted; and the further exception of the dangers of lake, river, and canal navigation, if forwarded via lake, river, or canal.

#### ORIGINAL.

Kemble & Hastings, Boston, Mass.

Via \_\_\_\_\_.

Mark.	Articles.	Rate.	Weight, subject to correction.
A 3799, Wh. L.....	1 car corn .....	.....	24,000, M. or L.

L. B. PECK.  
M.

(Stamped across the heading:) Kemble & Hastings, Boston, Feb. 21, 1885.

(Stamped across the heading:) A. Mayer & Son, Cardington, O., Feb. 16, 1885.

#### POOLING ARRANGEMENTS.

Bearing upon the pooling system, which is at once, I think, a farce and an unwarrantable existence, I would like to bring to the attention of the committee one illustration. A car-load of flour lately arrived in a neighboring town, from Saint Louis, in a damaged condition. A claim was made upon the railroad company here delivering it, and the company declined to entertain the claim, on the ground that the damage did not occur on its line. It admitted the damage, but refused to consider the claim, on the ground, that it did not occur on its line. The company issuing the bill of lading at Saint Louis declined to pay the claim, because

the pool commissioner, in his authority, had transferred that freight to another line. The line which actually did transport it declined to pay the claim, because it never had issued a bill of lading for the property. So that that claim, like thousands of other good claims, remains unpaid. I refer to that merely as an illustration.

#### DIFFICULTY OF FIXING RESPONSIBILITY.

Senator MILLER. If an action were brought on such a case against the railroad delivering it at this end of the route, could not the damage be collected?

Mr. KEMBLE. I think very likely that at the end of a suit the damages could be collected. I have no doubt of the liability of the railroad which delivered that property.

Senator MILLER. But the difficulty lies in the length of time it takes to carry on a suit, and the inconvenience to which the railroad can put the shipper, the result being that the claim is not pressed?

Mr. KEMBLE. Thus all such claims are left unpressed. We have, in our own experience, claims of fifteen years' standing that would be good and just, in my opinion.

#### REMEDY BY NATIONAL COMMISSION.

Senator MILLER. What remedy do you suggest as to through bills of lading on inter-State commerce?

Mr. KEMBLE. That is a very important question, which I do not know that I am competent to answer. I believe, however, that the Government should interfere in the management of these railways to a reasonable and proper extent. I have seen the favorable working of the commission here in Massachusetts and in other States. I cannot see why a Government commission, or, what I should prefer very much to see, a Department of Commerce, to which all these matters might be referred, should not work satisfactorily, as well as State commissioners. Another great grievance is unjust discrimination. This evil is as widespread as the country itself.

#### UNJUST DISCRIMINATION.

Senator MILLER. You speak of "unjust discrimination." Probably everybody will admit that an unjust discrimination ought not to be made. Give an illustration of what you mean by an "unjust discrimination" which ought not to be allowed. What are the discriminations to which you refer?

Mr. KEMBLE. I refer to the discriminations against certain localities or against certain individuals. Those I call "unjust discriminations."

Senator MILLER. Carrying freight for one shipper cheaper than for another, do you mean?

Mr. KEMBLE. Yes, sir.

Senator MILLER. Of like quantities and like kinds of freight?

Mr. KEMBLE. Yes, sir; and taxing one location unreasonably, while another location enjoys a lower rate for carrying, without any particular reason. I call that unjust discrimination. I suppose there must be discriminations to a certain extent in the railroad business, although I am not a railroad man, and, of course, I cannot speak very authoritatively on that point. But, as a general rule, as far as my experience goes, discriminations which are made nowadays are outrageous in the

extreme; and, in my opinion, the railroad management of this country has been accompanied by more injustice and more fraud than any other great interest of a public nature since the world began.

#### REBATES AND DRAWBACKS.

Senator MILLER. Do you think it is a general custom with the railroads to give one merchant a different rate from that given to some other merchant in the same business; in other words, to make a special contract inside of their pooling arrangements?

Mr. KEMBLE. It is well known that that is done; but whether that is done at exactly the same moment or not I do not know. It is a well-known fact that since the pooling system came into existence and assumed to regulate freights, 5 cents, 8 cents, 10 cents, 12 cents rebate, and even 15 cents in some cases, and I have heard it stated that more than half of the pool rate, has been under agreement to be returned in cash as a rebate to certain shippers.

Senator MILLER. The result of such discrimination is to put the business in the hands of favored houses?

Mr. KEMBLE. It is a centralization.

The CHAIRMAN. In these particular instances that you refer to, where such large discriminations were made, was there any ground or excuse for making them further than the fact that they went to favor one party over another?

Mr. KEMBLE. There may possibly have been some competition between the different lines, which had something to do with that. I think very likely that may be the case.

#### DISCRIMINATIONS AS TO INDIVIDUALS AND LOCALITIES.

The CHAIRMAN. You are talking about discriminations between different points?

Mr. KEMBLE. I am talking about discriminations between certain individuals at certain points. We will take Chicago, for instance. I have known these rebates to be made under the pooling system. These rebates have been contracted to be paid in cash, so that more than half the fixed through rate has been under agreement to be returned in cash to the shipper.

The CHAIRMAN. If that occurred between two individuals at the same place, it could not result in any advantage to the one over the other, as far as the railroads were concerned, except by those preferential arrangements that they see fit to make for one individual over another, could it?

Mr. KEMBLE. No, sir; I do not know that there is any other reason than that you refer to, except competition between the lines. I suppose if one line to-day agreed to rebate  $7\frac{1}{2}$  cents on the hundred pounds provided it received a contract, to-morrow some other line might agree to rebate 10 cents on the hundred pounds to get a like contract.

The CHAIRMAN. That is the result of the running contest between the railroads at those points, is it not?

Mr. KEMBLE. Yes, sir; and the general instability of the whole affair.

#### STABILITY AND PUBLICITY OF RATES.

The CHAIRMAN. Have you thought about this sufficiently to come to any conclusion as to what legislation ought to be had to cure the evil?

Mr. KEMBLE. My impression is that if some legislation could be had to secure stability of rates it would remedy that at once.

The CHAIRMAN. Would publicity of rates do it? If the rates were required to be published by law, would that accomplish the end?

Mr. KEMBLE. It is my impression that that would do it, with a proper notice being given in advance. My impression is that in a case like that at least thirty days should be given of any change in the rates of freight.

The CHAIRMAN. Would you think that a law ought to be passed requiring thirty days' notice? Of course, we could not make a hundred exceptions in the statute, and whatever law may be passed upon the subject must be general, requiring all railroads to publish their rates, before changing them, at least so many days. Would you think thirty days ought to be required in all instances?

Mr. KEMBLE. My impression is that thirty days would be none too long a notice. I do not see any reason why it should be considered too long a notice either on the part of the railroads or of the community, certainly not on the part of the community. Of course, one of the great advantages to be derived by legal interference, as we hope, will be stable rates. If rates are to be generally stable, changes should very rarely occur.

The CHAIRMAN. It is generally admitted, I believe, that so far as through freights are concerned the rates are not too high, and possibly they are too low; so that a regulation to prevent too high rates, as a general proposition, would not seem to be necessary. Your idea is that there ought to be legislation to prevent unjust discrimination between persons and places?

Mr. KEMBLE. That is my opinion.

The CHAIRMAN. And one of the means of doing that would be to require publicity of rates?

Mr. KEMBLE. Yes, sir.

The CHAIRMAN. If I am interfering with your line of thought, I will wait until you have finished. If you would prefer to go on without interruption, I will not proceed to ask any questions just now.

Mr. KEMBLE. No, sir; I shall be very glad to answer them.

The CHAIRMAN. One of the necessary things to be done, then, you think, is to require publicity of rates?

Mr. KEMBLE. Yes, sir.

#### PROHIBITION OF POOLS.

The CHAIRMAN. What do you think about the pooling question?

Mr. KEMBLE. I think all pooling systems ought to be forbidden by law.

The CHAIRMAN. Absolutely forbidden?

Mr. KEMBLE. Absolutely forbidden.

The CHAIRMAN. You do not think that a permission to railroads to enter into contracts, subject to some Governmental supervision, ought to be allowed? Suppose, for instance, Congress should pass a law not interfering with the pooling further than by the appointment of a commission, say, whose power and duty it should be to supervise and to look into all pooling contracts, and see whether those contracts, in their judgment, are right or not, and, if not right, to require that they shall be made right. Would that sort of legislation answer in the place of an actual prohibition of pooling, in your judgment, or not?

Mr. KEMBLE. I see no benefit to arise from the pooling system,

The CHAIRMAN. You do not think it ought to exist at all, then?

Mr. KEMBLE. I see no benefit whatever that can possibly arise from it.

#### RATES CANNOT BE REGULATED BY LAW.

Senator MILLER. How are you to get stable and uniform rates on through business, where there are a dozen competing lines, if you have no Federal regulation, and each railroad or trunk line is allowed to make its own through rate, without relation to any other competing line? How are you to maintain a uniform, stable rate without an agreement and understanding between the trunk lines? The New York Central, for instance, makes a rate of 15 cents from Chicago to New York, and the Pennsylvania line makes one of 10 cents, and the Baltimore and Ohio cuts the rate and makes it 9 cents. The result, of course, is a railroad war at once, and that destroys regular and permanent rates.

Mr. KEMBLE. I do not apprehend that we can regulate rates by law. But there will always be more or less competition in the business, I presume, as there is in every other business. But if a rate of freight is to be changed, a suitable notice should be given of it, and then all in the community are served alike. There can be no favoritism.

Senator MILLER. That is, as far as publication is concerned. But all merchants, thus far, who have come before us have testified that they desire stable rates quite as much as cheapness of rates, and permanency of rates.

Mr. KEMBLE. Stability and permanency are very desirable, but I do not apprehend that that can be secured by law.

Senator MILLER. Could it not be secured through a pooling system of the trunk lines, provided that system was regulated by Government in advance? Or would it be desirable that it should be so regulated? I am simply asking you, you being a business man, to get your judgment upon it.

Mr. KEMBLE. The possibility of a pooling system as existing under Governmental control has not occurred to me.

Senator MILLER. We will suppose that all pooling arrangements or agreements with regard to rates of freights between the trunk lines ought to be legalized by the Federal Government, and that such contracts ought to be binding upon each and every railroad entering into them, and that they could be enforced by the penal laws. Then, whatever arrangement was made could be carried out, just as one private individual can compel another to live up to his contracts. But under the present arrangements the pooling systems can be broken whenever they find it to their interest to violate it, and that makes the unstable rate of freights of which you commission and shipping men are constantly complaining.

#### IRRESPONSIBLE POOLS SHOULD BE PROHIBITED.

Mr. KEMBLE. It is very possible that a system such as you suggest, under Governmental control, might be useful. Of course, in giving my opinion upon the system I have formed it upon the irresponsible pool as we have it.

Senator MILLER. Your opinion is that an irresponsible pool ought not to be permitted?

Mr. KEMBLE. That is fully my opinion.

The CHAIRMAN. What do you think about the propriety of Congress passing a law with a provision in it prohibiting, entirely and absolutely, all drawbacks and rebates?



## DRAWBACKS AND REBATES SHOULD BE PROHIBITED.

Mr. KEMBLE. I think no drawbacks or rebates should be allowed.

The CHAIRMAN. Except where errors are made in computation?

Mr. KEMBLE. If they can be prevented by law, it should be done.

## DISCRIMINATION AGAINST NEW ENGLAND.

Senator MILLER. You may go on with your statement now. I do not know but that our interrogatories have interrupted you somewhat.

Mr. KEMBLE. No, sir. I was simply going on to mention, under the subject of discrimination, what appears to me to be a serious discrimination against Massachusetts and New England. I was surprised to hear you told yesterday that everything was agreeable in Massachusetts.

The CHAIRMAN. I was a little surprised myself.

Mr. KEMBLE. The railroad commission here is certainly entitled to great credit for the skill and ability with which it has discharged its duty in regard to local matters. But Massachusetts and a good portion of New England are, in my judgment, to-day laboring under an outrageous railroad discrimination. It is that discrimination of 5 cents per hundred pounds, which has been alluded to once or twice, against New England. You know very well what that is. The rate to Massachusetts and New England on all freight from the West is 5 cents per hundred pounds more than it is to New York City and vicinity.

The distance from Chicago to New York is 980 miles by the main trunk lines, and but 1,038 miles to Boston. There is but 58 miles difference. At the present rate of freight, at the present tariff rates, 15 cents a hundred pounds is the published tariff to New York. They are making contracts for less than that now. But, for the sake of making a comparison, we will say that tariff is 15 cents a hundred pounds to New York and 20 cents a hundred pounds to Boston. There is a discrimination of 5 cents on the hundred pounds made to cover this additional 58 miles to Boston; so that New England to-day is paying 33½ per cent. more freight than New York and vicinity pays, simply to cover that additional 58 miles.

The CHAIRMAN. That was the result of the Washburn and Cooley special commission, was it not? That resulted from the settlement of comparative rates between Chicago and Saint Louis, on the one hand, and New York, Boston, Philadelphia, and Baltimore, on the other?

Mr. KEMBLE. That 5 cents a hundred pounds has always existed ever since my remembrance—for twenty-five years. Allowing the same rate per mile for the additional haul of 58 miles, 6 per cent. of that 15 cents per hundred will cover that additional distance of 58 miles; and New England pays 33½ per cent. to cover it. That is a discrimination which, I think, is a very important one and a very outrageous one.

Mr. Atkinson told you yesterday that the difference upon it would be so small, so far as his family is concerned, that it was not worth while to legislate about it. But there is a discrimination of at least 4 cents on every hundred pounds of freight. We will allow 1 cent a hundred pounds for that additional 58 miles, which is more than the proper proportion. There still remains 4 cents on that hundred pounds, 8 cents on a barrel of flour transported into New England which crosses the Hudson river at Albany; and ten or fifteen years ago 70 per cent. of the freight came over the New York Central, crossed the Hudson at Albany, and came into New England.

## BEYOND STATE REGULATION.

The CHAIRMAN. All that kind of freight or business is of a kind that the State commission could not regulate at all?

Mr. KEMBLE. The State commission cannot regulate it.

The CHAIRMAN. So that the commission of Massachusetts cannot be chargeable with any failure to do its duty on that account?

Mr. KEMBLE. No, sir; I should say not.

The CHAIRMAN. It would not be chargeable with any failure to do its duty in that condition of affairs?

Mr. KEMBLE. No; but there is another condition in connection with this, which I will allude to. It is the system by which this 5 cents per hundred is rebated on exported merchandise. It is a well-known fact that all merchandise forwarded now to Boston for export is brought at New York rates. In other words, this 5 cents a hundred pounds which I spoke of is rebated for the sake of expediting that export trade. In the first place, I do not think that is necessary to facilitate that trade. Of course the 5 cents per hundred pounds additional would destroy the export business, as was stated yesterday; but my point is, if a proper point was made, Massachusetts could afford to pay her additional charge for the extra haul of 58 miles and not be inconvenienced. The absolutely necessary charge covering that 58 miles would be less than 1 cent per hundred pounds under the present tariff rates, and I believe it would be no disadvantage, or no particular disadvantage, to Massachusetts, or to exporters here, to pay that additional charge.

The CHAIRMAN. Admitting the fact that there is that sort of discrimination against New England, how are you going to remedy it? What is your idea of the proper remedy to be applied?

Mr. KEMBLE. I have not studied the matter in its legal aspect to that extent, and I am not experienced enough in the matter of law-making to tell you exactly where or how the remedy can be applied.

## A NATIONAL COMMISSION OR DEPARTMENT.

The CHAIRMAN. You are clear on one point, that freight coming from Chicago to New England, for instance, becomes inter-State commerce, and the local commission cannot right it and cannot do anything under the law to cure the evil?

Mr. KEMBLE. Yes, sir.

The CHAIRMAN. If Congress does anything, that is where Congress should take hold? I mean to say, if that is one of the evils, being inter-State commerce clearly, if any legislation is necessary, Congress only can enact it?

Mr. KEMBLE. Only Congress can enact it; and, in my opinion, if Congress can make it right, it should take action on it.

The CHAIRMAN. Have you any definite idea as to what Congress actually ought to do in the way of passing any law to cure the evil?

Mr. KEMBLE. I am very strongly of the opinion that the creation of a commission or of a Department to take cognizance of all these commercial matters, which are very numerous and very important, would be a very great advantage to the mercantile community.

Senator HARRIS. With what powers would you clothe such a tribunal?

Mr. KEMBLE. Such tribunal should have powers to enable it to hear and decide cases, of course, and to enforce penalties.

Senator HARRIS. And power to enforce its decrees?

Mr. KEMBLE. To enforce its decrees.

Senator HARRIS. Would you create a court, then?

Mr. KEMBLE. It would be, naturally, in the nature of a court, I should say, to some extent, without having given very much thought to that matter.

The CHAIRMAN. Would you, in a law, prohibit pooling or not?

Mr. KEMBLE. I should prohibit pooling.

The CHAIRMAN. Would you prohibit rebates and drawbacks?

Mr. KEMBLE. Certainly, by all means.

The CHAIRMAN. Would you require publicity?

Mr. KEMBLE. In all cases, with large notice.

Senator HARRIS. Notice of any change?

Mr. KEMBLE. Of any change.

The CHAIRMAN. Would you favor a commission with power to determine disputes between railroads and the business community?

Mr. KEMBLE. That is my impression now; yes, sir.

The CHAIRMAN. With power to enforce their judgments, or would you leave that to the courts?

Mr. KEMBLE. I think such a tribunal should have certain powers to enforce its decrees.

The CHAIRMAN. Your commission here has no such power?

Mr. KEMBLE. No, sir.

The CHAIRMAN. It only finds out what, in its judgment, is right between the shipper and the railroads, and announces its judgment, and then if its decision is not carried out the matter is turned over to the party, who is entitled to go into court?

Mr. KEMBLE. It is, perhaps, possible that the decrees of this tribunal could be enforced through the courts, without its having any judicial powers.

#### DIFFERENCE BETWEEN NEW YORK AND BOSTON RATES.

There is one little matter I was going to bring to the attention of the committee. I do not know that it is a matter that the committee or the Government can right; but it is a singular fact that under this rebate of 5 cents a hundred pounds, which I spoke of just now, allowed on merchandise exported—

Senator PLATT. Right there let me understand about that. We have been told that the through rate from Chicago to New York was  $12\frac{1}{2}$  cents per hundred pounds. Do you mean to say that they make a rate where they rebate 5 cents on the hundred pounds on the export freight, so that they bring it for  $7\frac{1}{2}$  cents?

Mr. KEMBLE. I mean to say this: The regular rate to Boston to-day is  $17\frac{1}{2}$  cents per hundred pounds. The regular rate to New York is  $12\frac{1}{2}$  cents per hundred pounds. That is the lowest rail rate which can be had from Chicago, according to my latest telegram.

Senator PLATT. It is a rebate to Boston.

Mr. KEMBLE. Yes, sir; for her export trade. The regular rate to Boston has been 5 cents per hundred pounds more from Chicago than the rate to New York has been. That 5 cents per hundred pounds is rebated here on all merchandise exported, but not on that which is consumed here. That, I think, is a very unjust thing. Here is another point: That 5 cents a hundred pounds is rebated to the foreigner. A man in London or in Liverpool can come here to-day and use our lines of railway from Chicago to Boston for 5 cents a hundred pounds less than the native citizen can use them,

The CHAIRMAN. Five cents less than you who are doing business here and are not shipping to Liverpool ?

#### CHARGE TO FOREIGNERS LESS THAN TO NATIVES.

Mr. KEMBLE. We can only get that 5 cents rebate if we export our merchandise. On the present rate of freight that will amount to 33½ per cent. The foreigner can use these roads to-day for 33½ per cent. less than a man in New England.

The CHAIRMAN. Do you know whether that prevails in New York as to persons engaged in the foreign shipping trade to Liverpool ? Does the same rule prevail there ? Can they get grain from Chicago to New York at cheaper rates if they export it than if they do not ?

Mr. KEMBLE. No, sir ; the rebate system that I speak of does not apply in New York. This rebate of 5 cents on the hundred pounds is allowed to Boston only to facilitate the export trade. It is to make the Boston rate equal to the New York rate for the purpose of export only. It does not apply otherwise. New York has suffered great injury under the through-bill system, just as Boston and Baltimore and Philadelphia have. The through-bill system by which freight is taken from Chicago to Liverpool has been the means of great injury to the whole seaboard.

Senator MILLER. In what way ?

#### THROUGH-BILLING AN INJURY TO THE SEABOARD.

Mr. KEMBLE. Because it has afforded opportunities for the cutting of rates ; and the railroad cut which has been going on under that system has been concealed, the rail rate being taken with the steamer rate. It has been extremely difficult to prove any case, and yet we know of cases existing. New York has suffered in that respect. But there is no special rebate allowed on New York freight for export, as there is here in Boston.

Senator MILLER. You think the rebate to Boston is not a benefit to the State at large, then ?

Mr. KEMBLE. It is of no benefit whatever to the State at large, in my judgment.

Senator MILLER. Is it a benefit to the city ?

#### BOSTON STEAMER SERVICE BENEFITED BY REBATES.

Mr. KEMBLE. To a very limited extent it may be a benefit to the city, because, of course, the tendency of it is to promote steamer service here. But in the way business is done now, under through bills of landing, that rebate, I should say, was of no important benefit to Boston. It is of no benefit to her merchants, it is of no benefit to her banks, it is of no benefit to her insurance companies, it is of no benefit to her real-estate interests. Nothing of that kind derives any benefit, as it is carried on to day, from that business.

The CHAIRMAN. Boston is only a sort of a way station under that system ?

Mr. KEMBLE. Only a way station, practically. That through billing, in my judgment, is a very serious injury to the seaboard, and it is of benefit to nobody but the foreigner.

Senator MILLER. Is it not a benefit to the producer of the grain in the West, who gets a very low rate for his grain to Liverpool, and therefore can sell more of it ?

Mr. KEMBLE. I cannot see that the producer in the West gets one cent more for his product under that system than otherwise.

Senator MILLER. If he does not get more, does he not secure larger sales? In other words, does not the price of grain in Liverpool regulate and control the amount of grain taken from the Western producer?

#### HOW THE FOREIGNER GETS ALL THE BENEFIT.

Mr. KEMBLE. I look upon it differently. I think the foreigner gets all the benefit from that system, and not the producer,

Senator MILLER. Why is it that the rule of competition, which holds in all markets, does not hold in Liverpool? The question as to whether the Western grain shall come through is simply a question of the price at which it is laid down in Liverpool.

Mr. KEMBLE. That is true to a certain extent.

Senator MILLER. Is it not absolutely true?

Mr. KEMBLE. No, sir; America is decidedly the largest exporter of wheat to the United Kingdom.

Senator MILLER. If England can buy her grain one cent a bushel cheaper from Russia or India than from America, she is sure to buy there, is she not?

Mr. KEMBLE. She is.

#### AMERICAN GRAIN THE REGULATOR OF EUROPEAN PRICES.

Senator MILLER. If our railroads reduce the rate of freight greatly from the Western grain fields to Liverpool, does that not make a greater market for our Western products, and is it not a benefit to the West, even if it does take the business out of the hands of the commission merchants and the forwarding agents upon the Atlantic seaboard?

Mr. KEMBLE. My opinion is that if you take out of the world the American products, the prices in the markets of Europe would be very much higher than at present.

Senator MILLER. Undoubtedly; but it is the competition between American and Russian and Indian grain which fixes the price of grain in Liverpool?

Mr. KEMBLE. It is the competition from all the producing points, yes, sir; but America, being the largest producer, must be the regulator.

Senator MILLER. Notwithstanding, she is not absolutely able to control and make the prices for the world?

Mr. KEMBLE. She cannot absolutely control the prices, no, sir.

#### E. B. HILL'S STATEMENT.

E. B. HILL (manager of the New England Railway Clearing-House) appeared.

The CHAIRMAN. You are engaged in business here as the railway clearing-house manager, are you not?

Mr. HILL. Yes, sir; perhaps I can bring what I have to say before you more readily by reading a letter which I have addressed to the chairman:

RAILWAY CLEARING-HOUSE ASSOCIATION, MANAGER'S OFFICE,  
Boston, Mass., May 25, 188 :

Hon. S. M. CULLOM,

*Chairman Select Committee on Interstate Commerce, United States Senate :*

DEAR SIR: I have to acknowledge receipt of your letter of the 8th instant, with circular covering certain interrogatories bearing upon the subject of regulation of inter-

state commerce by Congress. In asking my views on the subject you have perhaps attributed to me more knowledge than I possess, my experience in railway service being that of a subordinate official, and I do not consider myself competent to throw much light upon a subject so important as the one you have under consideration. But you have asked me to explain the operations and results of the clearing-house system of car-service accounts as conducted here in New England, a request I am happy to comply with.

#### OPERATION OF RAILWAY CLEARING-HOUSE.

Twenty years ago the interchange of freight cars between the railroads in this country was comparatively limited. The contents of the cars of one road were transferred into the cars of another, and by this means each company retained its cars on its own line. But this work of transferring was expensive, besides causing more or less delay in transportation and damage to the freight in handling. To overcome this the roads entered into an arrangement by which freight was allowed to pass from one road to another without transfer, the road owning the car receiving a certain rate per mile for the use of it from the other roads. This arrangement worked very satisfactorily until abuses began to creep in. Traffic on all the roads in the country increased rapidly, but some roads added no cars to their equipment and it was soon ascertained that they were using the cars of other roads in their local traffic and it was charged that they paid the owners no mileage for this service.

#### ILLEGITIMATE USE BY ROADS OF EACH OTHER'S CARS.

This illegitimate use of cars increased to such an extent that many roads with large freight equipment were often seriously cramped for want of cars to move freight awaiting shipment, and numerous devices were tried to overcome the evil, but with very poor results. It was with this object in view, the prevention of the illegitimate use of freight cars, and to enable every railroad company to know that they were receiving full returns for the use of their cars, that the clearing-house at Boston was organized by the New England roads.

#### EXTENT OF OPERATIONS OF CLEARING-HOUSE.

There are fifty-one roads in this organization, operating 6,500 miles of road. Every conductor who moves a car is required to report to the clearing-house daily, giving the number of the car, the road to which it belongs, where it was taken from, and where left. From these reports the movements of every car that comes east of the Hudson River is recorded and the exact mileage computed. By this means every road in New England is advised of any illegitimate use of its cars, and the mileage being made up and settled through the clearing-house, no road in the country can be defrauded of a penny earned by its cars on any road represented in the association.

#### HARMONY AMONG RAILROADS A RESULT.

Now, the only possible connection I can see between the results accomplished by this organization and the subject your committee has under consideration, is this: Many differences which have existed between railroad companies have been reconciled, wrongs have been righted, and crooked things made straight by the organization of this institution. There has been a fair and square showing of hands all round, and as a result there is greater harmony among the railroads, and so far as the scope of the clearing house extends every road gets its just dues and nothing more. Does not this idea commend itself to the thinking men in the country as a means of reconciling the differences which exist between the railroad companies and between the railroad companies and their patrons?

#### A NATIONAL CLEARING-HOUSE RECOMMENDED.

I believe the true solution of these problems will be found, not in a commission or other special tribunal established by the Government, but in the organization by the railroad companies of a system of clearing-houses throughout the country. Then the fixing of rates and the adjustment of the accounts will be taken out of the hands of the railroad companies individually, and "railroad wars" will be a thing of the past. Perhaps legislation by Congress might hasten this end, but I am confident that the results you seek to attain will be accomplished by the railroad companies *themselves* through the organization of a system of clearing-houses, the management of which will be placed in the hands of entirely disinterested parties who will see that the great corporations do not wrong the little ones, and that neither great nor little wrong their patrons.

All of which is respectfully submitted.

E. B. HILL,  
*Manager,*

## HONESTY AMONG RAILROADS THE BEST POLICY.

Senator PLATT. In other words, you think that honesty is the best policy, even among railroad men?

Mr. HILL. Yes, sir.

Senator PLATT. And that self-interest will finally bring them to an honest policy?

Mr. HILL. Yes, sir. There has been entirely too much wrong-doing between railroad companies; leaving the question between railway companies and their patrons out altogether.

The CHAIRMAN. Do you think any legislation is needed to make them do right among themselves?

Mr. HILL. I do not see how it can; but I am not prepared to say no, in answer to that question.

The CHAIRMAN. You only know that that existed to a very great extent?

Mr. HILL. Yes, sir; I know, in the experience that I have had in the management of this institution, which has covered some seven years, there have been wrongs between the different roads, and those wrongs have been righted simply because they put the matter into the hands of an entirely disinterested party. Thus the thing has been kept straight, and each has got what properly belonged to it.

Senator MILLER. What do you say as to requiring railroads to publish their rates and to give reasonable notice of any change?

Mr. HILL. I believe it should be done.

Senator MILLER. On through business as well as local business?

Mr. HILL. Yes, sir. The great difficulty in the past has been that there has been something that one railroad did not want to have another railroad know. You can see that, in my position, I have very little practical experience, and that I can throw very little light on this subject, I am, of course, merely here in response to your summons.

Senator PLATT. You are not familiar with freight rates?

Mr. HILL. No, sir; I have had very little to do with that. I have been in the freight departments of railroad companies and understand, of course, the system of carrying on that department of the service. But as to the question whether the rates they are getting now are right or wrong, are too much or too little, I am not prepared to offer any suggestions.

## NEW ENGLAND CLEARING-HOUSE THE ONLY ONE.

Senator PLATT. This is a New England clearing-house for freight cars which you are superintending?

Mr. HILL. Yes, sir.

Senator PLATT. Are there other systems of the kind in the country?

Mr. HILL. No, sir.

Senator PLATT. It is peculiar to New England then?

Mr. HILL. Yes, sir. We have demonstrated that collecting certain information which railroad companies want to keep to themselves, pays; and I may say, "farming out their accounts," which is an expression I met with frequently when I was advocating the organization of this institution, pays; that it can be done safely, and that no road suffers anything from it.

The CHAIRMAN. You have not given much thought to the question of Government control, or of legislation with reference to the control, of commerce between the States?

Mr. HILL. No, sir.

## A TENDENCY OF THE SYSTEM.

Senator PLATT. Does your clearing-house system operate to induce the solid and strong companies to build more cars than they need and to practically lease them to other companies?

Mr. HILL. It has a tendency that way, in that a railroad company knows that so long as the cars remain in New England they will get every dollar that they earn; but if the cars go out of New England, of course, then the advantage ceases.

## WILLIAM CLAFLIN'S STATEMENT.

WILLIAM CLAFLIN appeared and said:

Gentlemen of the committee, I have not much to say, except in a general way. I hardly know the points you desire me to speak on, except as to the general subject. A gentleman yesterday, whom I heard a few minutes, took the ground that the Government should have nothing to do with railroads or with their management, and cited the experience of Massachusetts. He referred to several of our enterprises which have been somewhat unsuccessful. Now, as I understand the idea of this Committee of the Senate, it is, in the first place, to establish a commission. That has grown up in the minds of the general public, I suppose, from the example of Massachusetts and of one or two States.

The CHAIRMAN. There are some fifteen or twenty States in the Union that now have commissions.

Mr. CLAFLIN. Yes, sir.

The CHAIRMAN. The committee has no scheme of its own with reference to national control. We are sent out by the Senate of the United States to inquire into the subject and to ascertain, if we can, what legislation would be proper with reference to regulating commerce between the States, without any preconceived or settled judgment as to what Congress ought to do.

Mr. CLAFLIN. I understand that. I supposed that was the case. But, at the same time, I supposed that was in the minds of the members of the Senate, when they established the committee to see what should be done; that that, among other things, was proposed.

## MASSACHUSETTS' POSITION AS TO RAILROADS.

Reference has been made to Massachusetts and to her legislation. The gentleman, in stating the condition of the railroads here, did not state the foundation of Massachusetts' control of the railroads. From the first, Massachusetts took the ground that the railroads were under State government and State management. When she gave the charters to the roads she reserved the power to take the roads by paying a certain sum. I think very few States did reserve the power to take the roads. That was a very great provision, because the roads all the time had that upheld before them, if they mismanaged or if they did anything to the detriment of the public. They know very well that the State House can, at any time, step in and take any road in the State by paying a certain sum.

Senator HARRIS. Your charter also reserves the right to amend, modify, and repeal, does it not?

Mr. CLAFLIN. Yes, sir; that is true. I suppose that is generally



understood—to modify and repeal charters in the States in which the railroads lie. The State, for a long time, refrained from doing much with the railroads, so anxious were people to obtain convenience of travel and so anxious were they to bring commerce into the State. They let railroads do pretty much as they had a mind to. But one abuse after another grew up, and, finally, they have established a commission to look into these things.

As reference has been made to the commission, that it had but little power, I would say that it is true it has but little power in the State, for the reason that the State has reserved these powers, and if the railroads cannot follow the advice of the commission, the railroads ought to know, and the people ought to know, that they can easily step up to the State House and get redress at once. Growing out of these attempts of the people, are many laws regulating railroads. Many decisions of the courts, of course, have been made, upon which the commission acts more or less. These things have built up a sort of general supervision by the State government, in the State of Massachusetts probably stronger and more efficient than in any other State in the Union.

#### SHOULD CONGRESS ASSUME CONTROL?

The question comes now, whether or not any such control should be taken by Congress. I believe it is well established that Congress has the power. While I was in Congress, some six or eight years ago, that was agitated, and I never heard it denied by anybody who was in favor of State rights, or in favor of letting everybody do as they had a mind to in the country, I never heard anybody deny but that Congress has a right to regulate interstate commerce. The evils that have been complained of have been brought before you, undoubtedly, in all their fullness, and I have no doubt the commission to-day understand better what are the real evils than any one citizen.

#### BENEFICIAL EFFECTS OF STATE AID TO RAILROADS.

The statement was made, in the course of the gentleman's remarks, that the State had failed in its attempt to benefit the railroads; that it had failed in all its attempts to control. I think not. Most of our railroads, our best and most profitable railroads, were established largely by the State and were aided by the State in every possible way.

The gentleman said those railroads could be built for much less now. I suppose the ties and the rails might be laid for much less; but if you take into account the enormous expense it would be to build railroads in the cities through which they pass now, I imagine very few railroads, in a State could be built for the sums they even represent to-day. The gentleman did not take those things into account at all.

The CHAIRMAN. You mean including the procuring of right of way?

Mr. CLAFLIN. I mean that, of course. I suppose the Boston and Albany Railroad has more than half of its capital invested in Boston to-day in lands and buildings connected with it; certainly well toward half of its capital. The land cost them nothing, scarcely. It cost originally a very few hundreds of thousands of dollars. But the city has grown up around it, and the value of the road has grown by the increased value of the property around it. And so it is through every other town through which it passes. If those railroads pay a fair amount on their capital, that is all that the Government of this State ever expected they would do. Therefore, the State holds the control over them, and they have established this commission.

## HOW LONG SHALL THE PEOPLE SUFFER?

Now, if such a commission were extended over the country by the General Government, the question is, not whether it would be illegal, but whether it would be impolitic. I have no doubt in my mind but that it will be ultimately done. The question is how long shall the people suffer before it is done, before Congress shall take possession, as it were, of these through roads. I do not mean that they shall come in and take the railroads.

The CHAIRMAN. You do not mean that they shall own them?

Mr. CLAFLIN. No, sir; I do not mean that the Government shall own them. But how long will it be before they will take possession of them by law and enact laws for the benefit of the people? It was said here that great injustice had been done among the railroads themselves, and therefore the gentleman who preceded me said we established our board to correct those injustices. Who is to correct the injustice done to the people? The gentleman who preceded him told you in what way New England has suffered. This has been going on so long that it is like many other abuses in the community—people are tired of trying to overcome them. These abuses have gone on until we have become used to them.

## USELESSNESS OF COMPLAINTS BY THE PEOPLE.

Nobody complains because nobody has any hope of overcoming the difficulties. We cannot do anything because we have no United States commission. That question does not belong to the State. It would have been remedied long ago if it had been one that the State could have determined. But we cannot help it when the difficulties arise with reference to other States. Other States are suffering in the same way. You do not see these things always.

Again, as to the passenger rates. They ought to be arranged in the same way. People suffer year after year from overcharges and extra charges, and in various ways, by the taking of money from the public, because the people cannot unite. You cannot unite fifty millions of people, except you unite them in Washington.

## A NATIONAL COMMISSION.

In regard to what you should do, I notice that the chairman and other gentlemen of the committee have asked, "What would you do in regard to these things?" My own idea is to establish a United States commission to regulate these things as far as it can; and then what further is to be done must be a matter of growth.

As you find abuses those abuses must be brought to the attention of Congress, and laws will be passed which will correct them. If there is no abuse, if the commission is not heeded, the people of the country will find it out. It is not a great experiment to try. It would not be of great cost to the people. And who opposes it? You will find that almost everybody that appears before you officially, before he gets through, will say he does not think that there is any need of a commission. The railroad managers will not like anybody to supervise their work.

Senator PLATT. I think we ought to say that in New York almost everybody connected with the management of railroads whom we saw was in favor of a commission. They wanted a commission, even for their own protection and regulation.

Mr. CLAFLIN. I am speaking of the general feeling of railroads.

Senator PLATT. That has been different here?

Mr. CLAFLIN. Yes, sir; it has been different here, and I think it has been different in New York until quite a recent date. If I can judge anything from the public prints in New York, until a very recent date anything like a commission could never have been got through that State. No supervision of the railroads could for a moment have been thought of. When I look at the legislation of New York during the last twenty years, and see what legislation has been passed (the legalizing of the immense watering of one railroad, the legalizing of corporate wrongs in another, and so all the way through), I can see how no railroad commission which would have any power could be enacted in the State of New York. The railroad men, on account of the quarrels and disagreements among themselves, and on account of the suffering of their stockholders, have been compelled, finally, to come into line; and they may say now that something must be done. As a man said who was on a sailing boat when a great storm came up, he did not know what to do, and they would finally have to come to prayer. The railroads have finally begun praying, and they want to have the people do something. They cannot tell what, but they want something done, and they finally have acquired the idea that there must be a commission.

In other parts of the country I think you will find the railroads are a little slow about wanting a railroad commission established. I know in Congress every time you undertake to do anything, even when you attempt to educate the people, there is a strong feeling which expresses itself to the effect that Congress should not take hold of anything which savors of State rights. Congress has always taken the ground that it should regulate interstate commerce.

Senator HARRIS. I do not think the extremest State rights man would deny the power of Congress to regulate interstate commerce.

Mr. CLAFLIN. But some deny the policy of it at present. He might say: "I will put off the evil day as far as possible." But the people of this country are getting very uneasy about this far-off day.

The CHAIRMAN. I think it might be said just now that the South and West are in favor of more radical legislation on this subject, perhaps, than is the East.

Mr. CLAFLIN. Yes, sir. I should be afraid I should be a little conservative in regard to wholesale legislation at present, until you have had experience, as I say, with the commission and have ascertained what can be done.

Senator HARRIS. I would like to have your views as to the power that should be given to the national commission, if one should be created.

Mr. CLAFLIN. I should say, as to the powers of the commission, that they should be very limited, in my opinion. I should not care to give it very strong powers for the present. As was well said the other day, the people of our State are very conservative in regard to State rights, or in regard to any interference with the freedom of the individual. They never do anything until they are compelled to. I would never give any commission any powers until it was found necessary to be done for the public good. I would not give them powers for the benefit of railroads. I certainly would not give them any power to take away the rights of the people. I think experience will have to be the guide in regard to the powers that should be given to a commission.

The CHAIRMAN. I understand that you are in favor of a commission with some sort of a power?

Mr. CLAFLIN. Yes, sir.

## PUBLICITY OF RATES.

The CHAIRMAN. Would you think it would be safe or politic to require the railroads to publish their rates for transportation of freight?

Mr. CLAFLIN. Most assuredly.

The CHAIRMAN. Would you favor that?

Mr. CLAFLIN. I would favor that at once. That is one of the powers. That would be a general law. That would not necessarily come with the commission.

The CHAIRMAN. That would have nothing to do with the question of creating a commission?

Mr. CLAFLIN. No, sir; but it would be the business of the commission to see that the railroads complied with that law.

## DRAWBACKS AND REBATES.

The CHAIRMAN. Would you think it safe or not to have a provision in that law absolutely prohibiting drawbacks and rebates?

Mr. CLAFLIN. I am not so familiar with the rebate and drawback business as I wish I was. I always look upon those things with a good deal of doubt. I think there is always a cat in the meal about such things. We have a good many things of that kind still in our State. I know some men have privileges in the way of carrying grain, for instance, half way on the road, and then having it ground, and then carrying it the other half at the same price that another person has to pay for carrying it directly through. If the other person wishes to stop at another mill, he has to pay the rate to that mill and then pay for going still farther. Consequently he is driven out of business.

The CHAIRMAN. Do you mean to say that prevails here in this State?

Mr. CLAFLIN. Yes, sir; I mean to say it has prevailed, and I presume it prevails to day. I do not know positively about it now; but I know it has prevailed. The chairman of the State commission can inform you better than I can as to that. But I shall be very much in favor of a law that will prevent all that sort of thing. I do not believe in making fish of one and flesh of another in any such arrangement as that. I know very well that has been the case all through the West and the East on these through routes.

## POOLING ARRANGEMENTS.

The CHAIRMAN. Have you thought very much about the system of pooling that has grown up within the last ten years?

Mr. CLAFLIN. No, sir; but it seems to me that a system of pooling cannot be forced away at once.

The CHAIRMAN. Do you think it would be unsafe to prohibit it by national legislation?

Mr. CLAFLIN. I have my doubts about prohibiting it. There are a great many reasons why pooling should exist, perhaps. I take it for granted that there was a great deal which this was an attempt to cure. If it has failed of course it will be done away with; but, in many instances I have thought it did cure some evils.

The CHAIRMAN. You are inclined to believe, then, that railroads should be allowed to make contracts among themselves, but that they should be subject to the supervision of a railroad commission?

Mr. CLAFLIN. I incline to think so; yes, sir. The reason I speak of this matter of pooling is that I suppose the pool arose from the fact

that some portion of the railroads, with great conveniences for doing business, and with large capital, &c., were attempting to force smaller railroads to the wall, and drive them comparatively out of the business or to buy them up or do something of that kind. The pooling system was probably agreed to in order to enable the weaker roads, in many instances, to live. I should judge that was so.

#### WATER ROUTES.

The CHAIRMAN. Have you thought very much about the influence of water routes on railroad transportation?

Mr. CLAFLIN. Yes, sir. I think we would have had very great monopolies in this country but for the water routes.

The CHAIRMAN. You think we would have had great monopolies?

Mr. CLAFLIN. Yes, sir. I have always been in favor of taking great care of our water routes everywhere. Many years ago they opposed the building of the Caughnawagan Canal in Canada, which I favored. Being in another country it would not have very much effect in our State. We favored the canal in our State that is now being built, called the Cape Cod Ship-canal. That is the technical name for it. Many surveys were made. It got into the hands of a private company, and that company felt that they could not make any money out of it, I suppose. Of course that will apply more to ships, but still it will have its effect upon the railroads. We need everything here that can be done to cheapen transportation.

The CHAIRMAN. You mean, when you say "here," in the United States?

Mr. CLAFLIN. I mean in the United States, but particularly in New England. I refer to that. I was going on to speak of the attempts of our State to cheapen transportation and passenger rates, in the establishment of the Hoosac tunnel.

#### THE HOOSAC TUNNEL.

A statement was made the other day, that it was a great mistake. I do not deem it so. At that time there was a great monopoly by the roads of the West. The expense of getting from the East to the West was very great, and the State stepped in to establish, you might say, another water route by boring the Hoosac tunnel.

The CHAIRMAN. What did it cost the State?

Mr. CLAFLIN. People talk about its costing twenty to twenty-five millions, but the State did not pay any such amount of money. In round numbers, it cost about ten to eleven millions, I think. Of course we are losing the interest on that sum every year, for which we have been taxed. The moment that tunnel was opened the cost of transportation from the West to the East was very much reduced. At that time the Albany road suffered a loss of twenty-four bridges, and they could not get their cattle trains through for two or three days. This raised the price of meat all through the eastern part of Massachusetts from 1 to 2 cents a pound, and it would have raised the price still higher but for the intervention of the Hoosac tunnel. At that time it was not completed so that it could be much used. Since that time through freights from here to New York City have been reduced about 33 per cent., and they are constantly being reduced, from the action of this tunnel. Competition does that. There never was any such competition before the completion of the tunnel.

## BAD MANAGEMENT OF SOME ROADS.

One of the New England roads has been referred to as an unfortunate road. It has undoubtedly been an unfortunate road, and has been very badly managed. I do not think it was a very wise project in the beginning; but the State did not so consider. It assisted that road, and to-day it is a great addition to the comfort and convenience of the people of Boston, and New England as well. All through the West the same thing has been going on. Where State management has come in there have been, many times, unfortunate failures. Many railroads have failed that have had State management. How about that? People do not talk about that. Look at the Kansas Pacific road. That road was begun by people in Saint Louis with whom I had a personal acquaintance. There was an immense loss made there. Men took it up because they said they meant to build one road in the West which should be an honest road, but they lost the control before they got through. Yet to-day that road is a great advantage to the whole country.

The CHAIRMAN. You mean that the people who put money into it lost it?

Mr. CLAFLIN. Yes, sir; the people who put up the money lost it. So that while States have sometimes—and our State among the rest—aided these railroads, they have not been in a worse condition than roads built by the people outside. I do not think every project should be condemned because the State has something to do with it. I do not believe it would be wise for the State now to take the management of the roads of this country. I am sure it would not be wise for our State.

The CHAIRMAN. Or for the nation?

Mr. CLAFLIN. Or for the nation. But I do think all these things might be regulated by law. I believe the United States will ultimately come to that. Sooner or later it must be done. The question is, how long shall the many evils of one kind or another which are operating now be borne before Congress shall take hold and regulate the railroads, and see that they are properly run? It must be a matter of growth.

## A NATIONAL COMMISSION.

The commission would be a matter of experiment. But I believe that a commission can be established which would give satisfaction to the people all through the country. The commission certainly has given satisfaction in this State. There was just as much doubt with the people of this State, at one time, in regard to the establishment of a State commission, as there is with the people of the United States now in regard to the establishment of a national commission.

## THE WILBRAHAM CASE.

Mr. RUSSELL. I would like to ask the governor whether the case referred to was the one at Wilbraham, on the Boston and Albany road? I suppose the governor referred to this case, and I would like to show how it was disposed of. It was a case arising on the complaint of Mr. Butman, a dealer in grain in Boston. The date of the decision is March 15, 1880. After stating the facts as to the advantages which were given to these parties (I should not like to mention names) the board say:

Again, it was said, they give these privileges for the sake of creating a business and so increasing their gains, but however desirable the end may be the giving of unequal terms and facilities is not a lawful means to the end.

The CHAIRMAN. What are you reading from?

Mr. RUSSELL. From page 203, Massachusetts Railroad Commissioners' Report for 1881.

The legislature has not intrusted that power to railroad corporations, but has carefully withheld it and forbidden its exercise. It may be added that the whole attitude of the company's representatives on this subject, while it showed that they believed themselves to be right, showed that in our view of the law they were wrong. They openly declared that they gave an individual favorable terms in order to make him as well off as another person at another place, but they have no right to give unequal terms for any motive or for any reason. Their error, a natural one, is in believing that what seems to be sound railroad policy is therefore lawful. This error arises from the very common mistake of supposing that a railroad company is a private corporation, owing no duty except to its stockholders, whereas such companies are public corporations, having received vast privileges from the people, and therefore owing them high duties.

The Commissioners have argued this point at some length because the principle is an important one, but upon the question whether this railroad company has violated the statute, it is not necessary to hold these views of the law, for in more than one instance millers and grain dealers have asked for the same terms with the preferred parties and have been denied.

It goes on at considerable length, and concludes by saying that "the contracts, written and oral, of the Boston and Albany Railroad" with these merchants, that is, the preferred parties, "have now been made public. The company offers like contracts to all who are transacting business in like circumstances. The board has given its views as to the law, and pointed out the manner in which it believes the law to have been violated."

#### LAWS RECOMMENDED BY COMMISSION.

In addition to that, at that time the statutes of limitations in this State provided a very short period in which an action for violation of the law could be commenced. The limitation was then sixty days in which to commence an action for offences of this kind, such as discrimination and unjust preferences, which was absurd. A man might hardly ascertain his injury before the time had passed. There might be correspondence between him and the corporation which would occupy the sixty days.

The legislature, at our suggestion, extended the time, and that particular offense has ceased to exist in Massachusetts, so far as we know.

There was another case on the Fitchburg Railroad, and that offense ceased to exist at the same time.

Senator PLATT. I find at the close of your Railroad Commissioners' Report for 1885, this language:

The citizens of Massachusetts, instead of regarding it as a reproach, feel pride in the thought that the humblest of her people may find without delay and without cost redress against the most powerful of her corporations.

Do you not think it would be a blessing to the whole country if that condition of things could be true with reference to the people of the whole country?

Mr. RUSSELL. I certainly think it would.

Mr. CLAFLIN. I only want to say, as far as the Boston and Albany road is concerned, that I think since the establishment of the railroad commission nearly every grievance of any considerable amount has been done away with, and that the present directors and managers of the road have shown a laudable desire to satisfy the public and keep their patrons from one end of the road to the other in a happy frame of mind.

The committee adjourned until to-morrow at 1 o'clock p. m.

BOSTON, May 27, 1885.

## WILLIAM B. RICE'S STATEMENT.

WILLIAM B. RICE (manufacturer of boots and shoes) appeared.

The CHAIRMAN. What is your business?

Mr. RICE. I am manufacturing boots and shoes and selling them to the jobbing trade throughout the country; the wholesale trade.

The CHAIRMAN. Do you belong to an association?

Mr. RICE. Yes, sir; I happen to be chairman of the committee on transportation of the New England Shoe and Leather Exchange, and that is why I am here, and not because I am an expert on this question.

The CHAIRMAN. This committee, as you probably have already learned, are sent out by direction of the Senate of the United States to find out whether any legislation by Congress is necessary, and if so what, for the purpose of regulating commerce among the States. Will you please proceed to make any statements you are prepared to make on that subject?

## NEW ENGLAND SHOE AND LEATHER EXCHANGE.

Mr. RICE. I had the pleasure of listening to the remarks of all the members of the honorable committee last evening at the Parker House, and I have some idea of the subject on that account. My friends and I come up here because we happened to be of the committee on transportation of the New England Shoe and Leather Exchange. That is an association of manufacturers, not only of this city, but throughout New England. The first notice we of the association had of the meeting was the receipt of your circular last Saturday afternoon at half past 4. We never received any notice before that, although it was intended that we should. It was impossible for us in that short time to get together our members in order to secure any expression of opinion that could be considered the opinion of the Shoe and Leather Exchange, and we simply have come here because it seemed desirable that somebody should come and represent the association. Whatever opinions we may give, therefore, should perhaps be considered as individual opinions. I would not be certain that it would be indorsed by the Shoe and Leather Exchange.

The CHAIRMAN. You speak for yourself, although you belong to that organization.

Mr. RICE. Yes, sir. I would say that the boot and shoe trade especially have very little direct interest in this question of transportation. We buy our stock largely in New York and Boston, and manufacture our goods and sell them to the jobbers of the west and south, who make their own contracts. About all we know with reference to the transportation is that we must send the goods by the lines which they direct, because they make their contracts.

The CHAIRMAN. You mean you receive directions from the persons to whom you sell the goods by what lines they shall be transported?

Mr. RICE. Yes, sir; by what lines they shall be transported. They make their own contracts; therefore we have very little direct experience with transportation companies.

## EVASION OF RESPONSIBILITY.

If I have personally any grievance it is the difficulty of finding who is responsible when goods are lost. For instance, we have one or two cases of that kind. We have delivered goods to transportation com-



panies in this town, and those transportation companies are part, perhaps, of a long line to the West or Southwest. If, as is sometimes the case, those goods are lost, we cannot find anybody who seems to be responsible. The parties who receive the goods would say they did not lose them, and that we must look to the parties who did lose them. I don't know but that there is some law which will apply to that case. But it is usual in every matter to submit to a rule of that kind, and we generally do submit. We have several cases of that kind on our books now. I don't think my knowledge or experience fits me to give an opinion that would be considered of any value on the general subject. I have not investigated it.

The CHAIRMAN. You say that is one complaint that you make?

Mr. RICE. Yes, sir; that is a complaint I should make.

The CHAIRMAN. You do not find anybody who seems to be responsible for any losses that may occur in the shipment from here to the West and South?

Mr. RICE. We do not find anybody who will admit responsibility. We have not taken counsel on any such matter, but we have had two or three losses of that kind where the parties receiving the goods have refused to be responsible themselves, and said we must look to the parties who did lose them further along down the line.

Senator MILLER. Do you know what the bill of lading provides for in such cases?

Mr. RICE. The bill of lading is a part of the through line. The Baltimore Steamship Company will give you a bill of lading, promising to deliver goods properly by the Star Union Line or the Virginia and Tennessee Line. I am not certain that we could not collect from the party who gives us a bill of lading at this end. I am only saying that that is about the only grievance I have.

The CHAIRMAN. As you do not pay the freight you do not know anything about the rate.

Mr. RICE. No, sir. We have nothing to do with the freight. Our house seldom knows what freight is paid on the goods, or what the rate is. Once in a while by mistake we ship goods by the wrong line, and then our customer at the other end will say, "Our contract is by such and such a line, and we have had to pay so much by the other line, and we must charge you the difference, as you did not ship according to our directions." In that way we sometimes have a loss.

Senator MILLER. As to these claims for damages in case there is delay in the transportation of goods or in case they are lost, you ship your goods from here by the route your buyers have a contract to ship by. You do not hold yourselves liable for any delay or loss in the shipment, do you?

Mr. RICE. No, sir. But if the party at the other end does not receive the goods, and the goods are held at this end, they generally look to us to find them out. A party that I have in mind at present had some goods shipped to Montgomery, Ala., and he claimed he did not receive the goods. Finally the railroad company at that end notified us that they had several cases of goods that were shipped by us, and not properly marked, or something of that sort. But it seems they had offered them to the party to whom we shipped them, and they were not the right goods; they had become mixed. They had sent our goods somewhere, and in some way had got the goods mixed. They came to us about it, and I told them that if they would return our goods to us it would be satisfactory to us. This had run along several months, so long that the party would not receive the goods. They returned only

half the amount, and when we got them we found they were not our goods at all. We laid a claim against the company for payment, and they sent word to us finally that they had several such cases, and that they might as well have a lawsuit now as at any time.

The CHAIRMAN. That was the railroad company here that sent word?

Mr. RICE. That was the transportation company.

The CHAIRMAN. So that you did not settle?

Mr. RICE. We did not settle. We have the claim pending. It seems to me there should be some responsibility, so that a merchant could depend on it without going into a lawsuit for a few hundred dollars.

#### DOES THE PRESENT LAW PROVIDE A REMEDY?

Senator MILLER. Do you imagine that you could not collect from the railroad company at the present time with the law as it is?

Mr. RICE. I stated in the first place that I was not familiar with that subject. We have not taken counsel. I feel somewhat about lawyers as I had the pleasure of hearing you express yourself last evening, that it is generally better to lose a few hundred dollars than it is to have anything to do with them.

Senator MILLER. We are trying to get at the complaints and difficulties which are not covered by the law as at present existing, and for which there is no present remedy under the law as it now stands. If you ship goods and take a bill of lading which exempts the company here from any liability for any accidents or delay that may arise upon any other connecting road, it is at your own risk beyond the line upon which you ship, so far as that is concerned.

Mr. RICE. I have no doubt that our remedy would be against the party who shipped them. The party buys the goods and we ship them so and so; yet out of courtesy we frequently try to find out where the loss belongs.

Senator MILLER. What is the general practice? Does the trade generally sell and deliver at the manufactory, on board the cars, or send to the purchaser?

Mr. RICE. We undertake to deliver on board the cars as directed by the purchaser. Some ship from the factories. The larger portion of the products from New England, I mean the boot and shoe products, comes to Boston for shipment, partly because it is cheaper than to send it part way down the line.

Senator MILLER. It is shipped substantially at the request of the purchaser?

Mr. RICE. Yes, sir.

Senator MILLER. He orders what line it shall go by?

Mr. RICE. That is substantially it. But in case of any shortage, as frequently happens if the boxes are broken open and any pairs are taken out, we have to go through the course here of attempting to collect it.

#### VIEWS OF SHOE AND LEATHER EXCHANGE.

The CHAIRMAN. Your business has not led you into the investigation of the good or ill effects of pooling, or as to the system of drawbacks and rebates, or into an investigation of the question whether anything ought to be done upon the subject of a long and a short haul, has it?

Mr. RICE. No, sir; our business has not been such as to give us any experience whatever.

The CHAIRMAN. So that you have no definite opinion as to whether any legislation by either the State or the nation is needed?

Mr. RICE. No, sir; only a general opinion.

The CHAIRMAN. Have you any general opinion?

Mr. RICE. I have a general opinion as a business man on all these questions. I carefully read the circular when it was received, and I have a general opinion.

The CHAIRMAN. You have thought about these things. Let us hear what your general opinion is on the subject, if you feel like giving it.

Mr. RICE. You understand this to be my individual opinion; and although I appear as a committee from the New England Shoe and Leather Exchange I only express my opinion.

The CHAIRMAN. Yes.

Mr. RICE. I would say, however, if it is desirable—I do not know that it is—that the Shoe and Leather Exchange might have a meeting and discuss this question. It is quite possible that among the large manufacturers throughout New England there may be some who have an opinion about this subject based upon experience. If it is desirable we could have a meeting at some future day and have an expression of opinion by the association.

The CHAIRMAN. The committee would receive such an opinion, as formulated by the association, at any time within a month or two.

Senator MILLER. I think it would be desirable to have them give it to us as coming officially from the association.

Mr. RICE. That seems to be the more proper way.

The CHAIRMAN. You may forward that to me at Springfield, Ill., and it will be received by the committee as if the parties had come before us.

Mr. RICE. Inasmuch as we appear as a committee from the Shoe and Leather Exchange, and that seems to me to be desirable, would it not be better for me to stop here, as far as I am concerned, and wait until we can send you such an expression of opinion?

The CHAIRMAN. You may stop if you choose.

Senator HARRIS. If you wish you can go over that circular and your committee can report to us such answers to those questions as it chooses, as well as anything else on the general subject.

Mr. RICE. So far as the report is concerned, it will be accurate. I think it will be the general sentiment of the trade in Boston. But you understand that our manufacturers are generally in the remote parts of New England, and that they have direct shipping connections with the West, and may have grievances of their own that we know nothing about here.

The CHAIRMAN. There will be no impropriety in your remarks thus far going into the report, and your association may forward any further information in addition.

Senator HARRIS. My suggestion was that the committee might prefer to have the full statement appear in one communication.

The CHAIRMAN. The trouble is that his statement in reference to his particular way of doing business, and with reference to such grievances he has mentioned, would not probably be considered by the association as a part of its views.

Mr. RICE. Mr. Place is also a member of our committee, of the firm of John B. Alley & Co., leather manufacturers, and their experience may be different.

## GRIFFIN PLACE'S STATEMENT.

GRIFFIN PLACE (of the firm of John B. Alley & Co., leather manufacturers) appeared and said:

Mr. PLACE. I do not know that I have anything specially to say on the subject further than that my colleague is correct in his statements. In a general way I concur in what he has said. That is, as to the facts in regard to our association. Of course we have more business, perhaps, with the western roads than the shoe people have, inasmuch as we buy our supplies largely from the West. Yet any opinion I should give would be simply a matter of opinion. I really have nothing definite to say. I have no very definite idea or knowledge about it.

## RAILROAD POOLS NOT BENEFICIAL TO LEATHER MANUFACTURERS.

I have, as Mr. Rice says, some opinions about the matter of pooling, &c., but it would probably all be included in the report from our association when it would come in. Personally I have an idea that this pooling business is not beneficial to us; and I have an opinion, but still I cannot give you good reasons for it, for I have not thought it up or discussed it to an extent to enable me to know exactly what my conclusions would be after some considerable thought. I have an idea that we would be better off without these pooling arrangements. I think we would be better off also if we could have regular rates of freight.

I think there should not be so much discrimination as there is. I think if there were much less discrimination it would be beneficial. There must be a certain point at which the railroads can live. They must live, any way. We must pay enough to recompense them for doing the business legitimately. If that rate could be found and we could have a uniform rate it would be better for business throughout the country to have it settled, as I see it.

The CHAIRMAN. You refer to the pooling system. Do you mean the pooling system that prevails here in New England?

Mr. PLACE. More particularly I refer to the pooling system among the western lines, or between the western lines. I think sometimes it happens that we get freight for less than cost. Again it happens that we pay largely, perhaps.

The CHAIRMAN. You pay too much?

Mr. PLACE. Yes, sir.

## DISPARITY BETWEEN LONG AND SHORT HAULS.

Senator HARRIS. Do you think the disparity between a long and a short haul too great?

Mr. PLACE. Yes, sir, I do. For instance, I pay 20 cents a hundred on green hides from Chicago to Boston. If I want to send the same hides anywhere on the line of the Vermont Central I have to pay 35 cents a hundred. I do not think that is equal or just right. Either one rate is too low or the other is too high. I do not know that anything can be done to make it better, but still such a difference does not seem reasonable.

Senator HARRIS. What is the difference in the distances that you refer to in your illustration?

Mr. PLACE. The distance from Chicago to Boston is about 1,050 miles; and those points up there are, say 150 miles, a little difference of 900

miles, wherein I pay 35 cents on a short haul and 20 cents on a long haul. I do not think that is an equal thing. I do not know that the United States can do anything to prevent it, however.

The CHAIRMAN. You pay really 35 cents for shipping 150 miles, more or less?

Mr. PLACE. Yes, sir; it would be the same rate if it were 200 miles. Anywhere along there I should have to pay about the same. Usually our rate from Chicago to Boston is 32 to 35 cents.

Senator HARRIS. Do you think it would be wise to prohibit by law charging more for a short than for a long haul; not more per mile, but more for the haul?

Mr. PLACE. I think there would be a necessity for charging more for the short haul than for the long one, for the reason that however long or short the distance may be, there are certain current expenses of the road which must be taken into account.

Senator HARRIS. Take the illustration you have given. Do you think it would be wise to prohibit by law the state of things you have just suggested, 20 cents from Chicago to Boston and 35 cents from Boston to a point 150 miles away; do you think it would be wise to prohibit charging more for a short haul than is charged for a haul of 1,058 miles?

Mr. PLACE. I think it would, if we find out what the legitimate fair price to pay from Chicago was. If we could establish a rate from here to Chicago that would be a fair paying rate, then I think it would be well to have a rate from here to Vermont, if you please, or to Saint Albans, that would be based on the same actual cost.

Senator HARRIS. You mean, if you had a fair paying rate from Chicago to Boston, at so much per mile, it would be fair to impose the same tariff on the shorter haul from here to Vermont?

Mr. PLACE. Perhaps not; because it might be more expensive to run over a certain line in a certain direction—say from here to Vermont. Probably the Government could not get at what would be a fair paying rate; but still it would be wise that there should be some limit to the charge.

Senator HARRIS. My question was exactly this: "Do you think there should be a statutory prohibition against the charging of more than 20 cents per 100 pounds for this shorter distance of 100 or 150 miles?"

Mr. PLACE. Yes, sir; if the rate from Chicago was once established at what would be a fair paying rate. But I can conceive of a competition between lines in which the railroads would carry merchandise from Chicago to Boston for less money than it could actually be carried for from here to Saint Albans. In that case I should not say it was wise to compel the road running from Saint Albans to this place to lose money because the other road chose to. If we were only once established on a fair paying basis then I think it would be wise to do that.

#### A UNIFORM RATE FOR ALL ROADS UNFAIR.

Senator HARRIS. If the railroad can afford to carry at all from Chicago to Boston at, say, 20 cents per 100 pounds, do you not think that under almost any circumstances that can probably exist it could afford to carry for 20 cents per 100 pounds 150 miles?

Mr. PLACE. Very well! I can still conceive of a rate going so low that they could not afford to carry it from here to Saint Alban's, and it would be unjust to compel those people to carry it from Saint Alban's to Boston at a loss, even though the other lines which have competition

should carry it 1,000 miles at a loss. But if you establish a rate that should be a fair remuneration from Chicago to Boston, surely a road running out 200 miles ought not to charge more.

#### RATES SHOULD BE REMUNERATIVE.

The CHAIRMAN. You think railroads ought to be prohibited, then, from charging less than a fair remunerative price?

Mr. PLACE. I do not say that. But I think there should be a fair remunerative price paid. If a rate were to be published, for instance, it ought to be a rate that would pay.

The CHAIRMAN. How are we going to bring that about?

Mr. PLACE. You are one of the honorable Senators of the United States, and I have expected you were going to find that out.

Senator MILLER. If we had, for instance, a Federal law preventing a greater charge for a short haul than for a long haul as applied to interstate commerce, would it not inevitably result in compelling the railroads to charge a living price for a long haul? Otherwise they would be compelled to charge no more for a short than a long haul, and they would be doing a losing business, and would be compelled to go into bankruptcy.

Mr. PLACE. That would apply if each of those lines from here to Chicago was owned by one corporation.

#### A DIFFICULT PROBLEM TO SOLVE.

But in this case that I cite there is a road running from Saint Alban's to White River Junction, Vt., in a direct line. The western roads might bring in merchandise over the Boston and Albany, or over the Hoosac Tunnel line, at a rate so low that the Vermont Central line could not afford to bring it from Saint Alban's here at the same rate.

Senator MILLER. Does any Western freight come over the Saint Alban's line?

Mr. PLACE. Yes, sir; any quantity of it. The Grand Trunk freight.

Senator MILLER. The result would be that that road could not charge for carrying your freight from a point in Vermont to Boston more than the proportion it would receive for carrying any other freight from the West over the same line?

Mr. PLACE. It would, so far as that line was concerned.

Senator MILLER. So far as you are individually concerned it would prevent competition.

Mr. PLACE. I should pay whatever the rest of my neighbors paid, and we could all do business on the same basis.

#### THE LONG AND SHORT HAUL.

Senator HARRIS. Assume that every transportation company fixed its own tariff of charges for the long as well as for the short hauls, and that Congress exercised no jurisdiction over the matter of fixing rates—in that case, do you or do you not think it would be wise to provide by law that these companies should not charge more for a short than for a long haul?

Mr. PLACE. I think it would be.

Senator HARRIS. You think it would be wise to prohibit it?

Mr. PLACE. I think it would be wise to prohibit it, in that state of things.

## REBATES AND DRAWBACKS.

The CHAIRMAN. In your dealings with railroads have you ever been in the habit of receiving drawbacks and rebates?

Mr. PLACE. We have been in the habit of getting very many promises, but very little money. Once in a great while we get a little drawback.

The CHAIRMAN. How do you like that system?

Mr. PLACE. I do not think it is a good one.

Senator HARRIS. Do the promises amount to a contract in respect to your shipments?

Mr. PLACE. I never tested it by law. I have found that, when I make shipments and get promises of that kind and follow them up pretty closely, and spend about twice as much time as the money is worth, I get it; but practically I do not think it amounts to anything to us.

The CHAIRMAN. What is your opinion, in your experience as a business man, as to that sort of thing? Ought it to be prohibited by statute?

Mr. PLACE. I think it would be wise if it were stopped. I think it would be wise if we had a uniform rate and did not have drawbacks. I do not think the drawbacks inure to the benefit of the majority of the people.

The CHAIRMAN. Whether you have a uniform rate or not, do you not think that drawbacks ought to be prohibited?

Mr. PLACE. I am rather of the opinion that they should be. Still I do not think I have investigated it far enough to give an opinion that is very valuable. But that is the way it strikes me. I should say it ought to be prohibited.

## THE LARGE SHIPPER IS FAVORED.

The CHAIRMAN. It is a mode of doing business that has been resorted to for the purpose of favoring one as against another, is it not?

Mr. PLACE. Yes, sir. It favors the large shipper, of course. The large shipper has the advantage.

Senator HARRIS. Do you think the man who ships fifty car-loads should have any advantage over the man who ships one car-load over the same line of road?

Mr. PLACE. No, sir; I do not.

## UNIT OF TRANSPORTATION.

Senator HARRIS. You think the car-load should be the unit?

Mr. PLACE. I think it should be the unit of transportation. Less than a car-load is another thing.

Senator HARRIS. You think it makes no difference to the company whether it ships one car-load each for fifty persons, or fifty car-loads for one person?

Mr. PLACE. There might be a little difference in the clerical work; but practically it is so small a difference that it would not amount to anything. It seems to me the car-load should be the unit of transportation, or the unit to work from. And when you go from one car-load to ten, or a hundred, it is practically the same thing. When you come to parts of car-loads, of course it is more expensive, and there should be a corresponding amount charged.

## UNIFORMITY OF RATES.

Senator PLATT. Do you feel any assurance that you pay the same rates of freight that your neighbors in the same business pay? Do you feel any certainty of that now?

## MERCHANTS SECURE ALL THE ADVANTAGES THEY CAN.

Mr. PLACE. I do not know but that I do. Some of my neighbors may be getting better rates than I. I cannot say they do not. I do the best I can. They do the same. We go to the railroad corporations, if we have any business to do with them, and we make the best trade we can. I presume there are other men who make a smarter trade than I do.

The CHAIRMAN. If you can get a drawback you get it?

Mr. PLACE. Yes, sir.

Senator PLATT. There are no such fixed rates but that you all try to vary them for your own advantage?

Mr. PLACE. I should think I failed to do my duty if I did not make a strong effort to get some concession. I presume that is the way most people do who have any business of any amount.

## PUBLICITY OF RATES AND CHARGES.

Senator HARRIS. Do you think it would be wise to provide by law that rates should be fixed and made public, and not be changed except after giving five, or ten, or fifteen days' notice of any contemplated change, and that the companies should be prohibited from varying those rates?

Mr. PLACE. I think it would be beneficial to business if such could be the case—if the rates were uniform and on a fair paying basis. Whether it is wise to legislate in that way or not, I cannot say. I think it would be beneficial to the business community, and we would be better off with a uniform rate than with the variations and fluctuations that we have.

## GENERAL DEFECTS OF RAILROAD MANAGEMENT.

The CHAIRMAN. Your complaint against the railroads is that their charges are irregular, unstable; that they charge in some cases on short hauls too much, and in others, on long hauls, probably less than the cost, and you complain against the system of drawbacks.

Mr. PLACE. I say I do not think that the system under which the railroads run is as good as it would be if rates were more uniform. I do not quite say that I make a complaint. I only say that, in my judgment, it would be wise if we could have some uniformity.

The CHAIRMAN. Have you had much experience with the pooling system that prevails here?

Mr. PLACE. No, sir; we do not have much to do with it here.

## POOLS NOT WISE.

The CHAIRMAN. What do you think about the pooling system, as you understand it?

Mr. PLACE. As I understand it, I don't think very well of it. I hardly think it wise. I do not think it is beneficial to the public.



Senator MILLER. Will you specify some of the evils that result from it which have come under your observation.

Mr. PLACE. As I told you, I have not had much experience with it any way. It is only a general opinion that I have formed from the little discussion that I have had about it. I have not thought a great deal about it. Of course if there were a regular and uniform rate we would be better off; and then if the pooling system could be carried out, and they could make those rates uniform, that might be a good thing.

But pools do not last long. They get started and establish a certain rate, and the first thing we know the pool is broken up and the rates have gone to pieces.

Senator MILLER. Suppose that system could be made permanent by law, what would you think?

Mr. PLACE. Whether it is wise to make it permanent by regulation or not, I am not able to say. In a general way, as I say, I have an opinion that it would be well if we could do it in some advantageous manner to all parties concerned.

#### UNIFORMITY, PERMANENCY, AND NO DISCRIMINATION.

Senator MILLER. What you do want, as a shipper, is a uniform rate?

Mr. PLACE. Yes, sir.

Senator MILLER. And without discriminations in favor of one shipper as against another.

Mr. PLACE. That is what I think would be just.

Senator MILLER. You want permanent rates, by which you can always know what they are, in advance?

Mr. PLACE. I think that would be wise.

Senator MILLER. Any system that would produce those three results would be beneficial?

Mr. PLACE. I think they would improve our present system; yes, sir.

Senator MILLER. As I understand it, those are the principal complaints you have to make—that the rates are not regular, and are not known; and that you cannot be certain as to whether there is discrimination as between one shipper and another?

Mr. PLACE. Yes, sir; that is about the situation. That is all I have to say.

#### GREENLEAF W. SIMPSON'S STATEMENT.

GREENLEAF W. SIMPSON (president of the Refrigerator Car Line) appeared.

The CHAIRMAN. As I understand it, you are a member of the Produce Exchange of this city?

Mr. SIMPSON. Yes, sir.

The CHAIRMAN. You understand, I believe, what the duty of this committee is? It is to investigate the question of what Congress should do with reference to the control of interstate commerce. You may proceed to make any statement you wish to on that subject.

Mr. SIMPSON. As I understand it, you desire to have the opinions of the merchants of Boston, or some of them, in regard to the present system of railroads and of the management of railroads.

The CHAIRMAN. You may give whatever complaints or abuses you know of.

## THE REFRIGERATOR CAR LINE.

Mr. SIMPSON. I have had some experience with railroads in different transactions. I am, at the present time, the president of the Refrigerator Car Line running from Chicago to Boston. Our cars are leased to the railroads on the mileage system. There have been times when the Grand Trunk, over which we come, and the other roads were in a pool, and we found our freight would be diverted, and why? Simply because they said the Grand Trunk was "over" in the pool; that it had earned more than its share. Instead of allowing our goods to come as we billed them, by our own cars, they have been unloaded in Chicago, and our cars have been allowed to remain while our goods were shipped through by the New York Central Railroad.

Senator HARRIS. Did you say you ran refrigerator cars?

Mr. SIMPSON. Yes, sir; bringing every kind of perishable article that you can think of.

Senator HARRIS. All articles which need refrigeration?

Mr. SIMPSON. Yes, sir. I think one of the greatest abuses that exist at the present time is the discrimination by the railroads in favor of one article as against another, or in favor of one industry as against another. Possibly you gentlemen are aware that within the last few years there has been a great change in the dressed beef business. Formerly the cattle were brought here alive, and were slaughtered in New York and Boston in very large amounts; but some enterprising men, a few years ago, believing that the shrinkage which was made in weight on the way was a total loss to the producer, to say the least, and believing that the business could be done very much more economically, they decided upon the plan of slaughtering the cattle in the West, and bringing them through as dressed beef. No sooner was this done than the live cattlemen took up the fight, and the railroad men joined them in it.

A railroad refrigerator car will bring about thirty head of cattle, or thirty carcasses, as against eighteen live cattle in the way of freight. The motive power required to haul this thirty head of beef is no more than it would be to bring the live cattle. A difference in rate was always paid by the dressed beef people. We were certainly satisfied with that. But, on the other hand, the railroads put their heads together with the live cattlemen, and to my positive knowledge—to speak within bounds—the live cattlemen have been going on buying cattle in Chicago, and shipping them to New York City, and selling them at about the same price they gave in Chicago—and making money. There is no question about it. They have continued to do this. Two trunk lines running from Chicago to Boston have been engaged in this business of bolstering up the live cattlemen against the dressed beef interests.

## TRUNK LINES BOLSTERING UP LIVE CATTLE TRADE.

I consider that an injustice to the producer, on account of the large shrinkage which must take place while the cattle are in transit, and the expense of feeding, and everything of that kind. It is an injustice to the consumer, for the reason that this dressed beef can be sold here at a much less price, while it is, in every way, as good as that slaughtered here. It has been sold for years at a much less price; so much so that about every live cattleman at Brighton has abandoned the business, and they are now handling dressed beef. Some eighty cars a week are coming here. But until within a very few days, one or more of the

railroads running from Chicago (although they were in a pool, with the agreement that the live cattle rate should be so much, the dressed beef rate so much), have cut the live cattle rate almost 50 per cent., and have been bringing the cattle here on that basis. Of course the Grand Trunk found it out, and it gave notice that it would get out of the pool. It has quit the pool and is ready to make rates now, as far as that is concerned.

#### DISCRIMINATION AS TO INDUSTRIES.

It seems to me to be a great injustice in any corporation to try to discriminate, as I say, in favor of one industry as against another. The Refrigerator Line or the dressed beef men, we will say, have discovered a process for bringing their product to the market here so as to sell at a less price, and allow the producer a better price for the cattle. Why? Because they save the injuries to, and the shrinkage in, the cattle. Of course, if that is the case, and a steer would shrink 50 pounds in coming here, and they kill him at the other end, they naturally could sell him here at a cheaper price, provided they could get him brought here at a cheaper price.

The CHAIRMAN. They would have more pounds of beef to sell?

Mr. SIMPSON. I am chairman of the transportation committee for the Wyoming Stock-Growers' Association, at Cheyenne, which has about four hundred members, and represents about \$100,000,000. Of course the cattle industry is a very large one, and especially in that locality. These figures sound almost unreasonable, but such are the facts. I was requested by the association to meet the different railroad managers of the four or five pool lines running from Chicago to Council Bluffs. My business was to consult them in regard to transportation for the cattlemen and also to get rates of freight. I met them by appointment, and found that they were in a broil themselves; so much so that they were unable to give any attention to the subject at that time, although I was treated very cordially, indeed, and they seemed to believe that what we asked was not unreasonable. Still they said they had matters of so much greater importance on hand at that time that it would not be possible for them to make any agreement.

#### FREE TRANSPORTATION FOR CATTLEMEN.

The facts are that a year ago the pass system was so much abused that they formed a pass association this year, all agreeing that they would not give passes. We know they do, of course, but they are very particular about it. They give one in one way and another in another; and, virtually, they are giving passes very extensively, although not so much as formerly. Furthermore, there is no way of getting round it. It does not need illustration.

No sooner was that association formed than two or three railroads said, "Why, if it necessary for us to pay a fine, we shall pay it; but, on the other hand, we propose, on account of our local industries, to issue transportation." I think there were three railroads that did this. The other sixteen or seventeen roads did not attempt to have them punished in any way, although, to all appearances, they violated the agreement. At any rate, nothing has ever been done about it, and they now propose with the cattlemen, if nothing happens, to take this matter up, and, if they can get enough of the roads to agree to it, they will furnish transportation for the live-cattle men to go to and fro on their business. The right is conceded to a cattleman to pass from one end of the country to the other.

## CATTLE OWNERS' RIGHT TO TRANSPORTATION CONCEDED.

If the owner of stock prefers to ride in his train and look after his cattle before they arrive, he thinks he is entitled to it. The roads over which we have been doing business say, "Well, you ought to have it, and we will try to do what we can to bring it about, and harmonize on the subject." I do not know how they are going to come out of it, of course. On the other hand, I think the most important thing to refer to is this discrimination which has been made. It would surprise you if I were to tell you the extent to which it has been carried and for years.

The CHAIRMAN. You mean the discrimination between the shipments of live cattle and dressed beef?

Mr. SIMPSON. Yes, sir. In Chicago last year, at the National Stock-Growers' Association, which was held there, this question was brought up; and some of the most prominent cattle raisers in the West stated that they thought it was only fair that the cattlemen should associate together and refuse to ship over certain roads that would allow such things to pass. This is not a new thing.

Senator HARRIS. One of your statements a little while ago I could not account for. If I understood you aright, you stated that the live-stock men were buying live cattle in Chicago, shipping them to New York, selling them at about the same price they gave for them in Chicago, and still making money.

Mr. SIMPSON. Yes, sir.

Senator HARRIS. I do not quite see, as a business proposition, how that is done, and I would be glad to have you explain.

## RAILROAD OFFICERS INTERESTED IN STOCK-YARDS.

Mr. SIMPSON. I think the railroads, if questioned about it, would say it had been done in the form of a rebate. The railroad officers, quite a number of them, have been interested, and are interested at present, in the stock-yards along the lines of the roads. What I mean by live-cattle men is the speculators and dealers in live cattle and not the growers. They have had the stock-yards all along the lines of the roads, and they have been very profitable to them. Of course this dressed-beef business does away with the stock-yards. They have their cattle-cars and everything ready to do the live-stock business with. They are interested in the cars and in the yards. They do not propose to be driven out of the business by the dressed-beef shipper, and they have fought the dressed-beef business clear up to the present time.

The CHAIRMAN. Do you mean the railroads or the stockmen?

Mr. SIMPSON. The railroads have backed the stockmen. I think Mr. Morris or Mr. Allerton, of Chicago, would testify, if they told it as they believe it, that they had received a large, a very large amount, of rebate from the railroads which enable them to carry on the business. It could not have been done otherwise.

Senator HARRIS. The railroads might have combined with the live-stock men, but how it can pay them to give a certain price in Chicago for live cattle, and then transport those cattle to the city of New York, and sell them for the same price, is what I cannot comprehend. How do they make any money, when buying at a price and selling at the same price, after transporting the cattle a 1,000 miles?

## PRETTY GOOD FIGURING.

Mr. SIMPSON. That requires pretty good figuring to do it; but, on the other hand, these gentlemen who have been engaged in that business so long would not continue it at the present time unless they were making money in it. I was in Chicago a few days ago, and a buyer in the yards stated that even at the low rates at which cattle were selling in New York, he considered they were making the shipper \$100 a car. He was a party who was selling cattle to this freight shipper to go to New York. I said the *same figures*, but, perhaps, I had better have said *about* the same figures.

Senator MILLER. Then you must qualify your statement at the same time considerably in order to make that operation possible. As Senator Harris has stated the proposition, if you buy live stock in Chicago at 3 cents a pound on foot, and transport it to New York and sell it in the yards there at 3 cents a pound on foot, it would be a losing business, even if the railroads carried the stock for nothing, because the weight of the cattle shrinks so much. Your first statement was that you thought the drawback to the live-stock men was about 50 per cent. That, of course, would not allow them to do a profitable business, or to save themselves from a very large loss. It must be that there is a difference between the selling price in New York and the price in Chicago. As I understand you, your complaint is that the discrimination against dressed beef is more than it ought to be, and therefore it is made in the interest of the live-stock men.

Mr. SIMPSON. Yes, sir.

## DIFFERENTIAL RATE ON DRESSED BEEF.

Senator MILLER. What have been the differential rates between live stock and dressed beef under your previous arrangement, when they were satisfactory to your people?

Mr. SIMPSON. Sixty per cent. in advance. I think I am correct in that. I won't be positive, but I think I am.

Senator MILLER. You dressed-beef men recognize that there should be a higher rate paid for dressed beef than for live stock?

Mr. SIMPSON. Yes, sir.

Senator MILLER. And what that should be has been arranged heretofore by mutual understanding between the dressed-beef men and the railroads?

Mr. SIMPSON. Yes, sir.

Senator MILLER. You arrive at a satisfactory rate?

Mr. SIMPSON. Yes, sir; perfectly satisfactory.

Senator MILLER. Your complaint now is that, seeing that they are to be driven out of the business by this new invention, the live-stock men, together with a large number of railroad officers, who are probably interested in the yards and in the shipment of cattle, have secretly changed that differential rate, and that the live-stock men get a rebate, to your great injury?

Mr. SIMPSON. Yes, sir.

Senator MILLER. I understand what you say; but your broad statement that they buy in Chicago and sell in New York at the same price is a problem in figures that cannot be demonstrated.

## SLAUGHTERING AT BOSTON ABANDONED.

Mr. SIMPSON. I would like to make a statement in regard to that. I think we have as intelligent a class of butchers in Boston—those who

bought live cattle here and slaughtered them—as there is anywhere; and they have as good facilities for handling cattle as there are anywhere. They have for a long time fought this business right through, but the railroads never did as much for them as they did for the New York people. Now they have dropped, one by one, out of the business until about every one has abandoned it. How is it in New York? They have continued to fight the dressed-beef interest, and none of them have grown poor. If you will look at the rating of Mr. Morris and Mr. Allerton you will find that they have a bank account somewhere. Judging from the way the thing looks, the statement I make is a fact; because dressed beef has been trying to get into New York for a long while. Mr. Swift started the thing perhaps two years ago; ever since that this war of rates has been carried on, and rates have been cut on live cattle. If the people of Boston, with their facilities and conveniences and capital and ability, could not carry on the business successfully, I cannot hardly understand how the New York people could do so without railroad interference or railroad support and help. They have had it. There is no question about it. I do not think the railroads would deny it for a moment.

#### NEW YORK SLAUGHTER-HOUSES MAINTAINED.

Senator MILLER. Why has it not been the interest of the people whom you speak of engaging in the live-stock trade also to keep the trade alive in this city, and give the same facilities here as are given to the live-stock men of New York?

Mr. SIMPSON. They had here their abattoir at Brighton, while in New York there is a different class of men. Most of the butchers there are Jews. They have their properties in different parts of the city. They have slaughter-houses right in the city proper. I have been there and seen them. It would be really a greater loss to them to give up the business than it would be to the people here in Boston, because they individually own their property, their slaughter-houses. If you go up to Thirty-ninth street in New York, I think it is, you will find a whole row of slaughter-houses running right down to the river.

Senator MILLER. The New York men have fought harder to keep that business on account of their owning these properties than you have here?

Mr. SIMPSON. Yes, sir.

Senator MILLER. All those questions come in to affect it, I see.

Mr. SIMPSON. That is the fact, I should judge.

#### HIGHER CHARGES ON VALUABLE FREIGHTS.

Senator MILLER. You recognize the propriety of railroads charging more per hundred pounds on valuable goods than upon grain and such articles?

Mr. SIMPSON. Most decidedly. I think 60 cents is a proper rate for dressed beef, because they can put more in a car.

#### PUBLICITY OF RATES AND CHANGES.

Senator MILLER. How would a law, then, compelling the railroads to publish their rates on all interstate commerce, and not to change them in less than ten days, operate on this business you speak of?

Mr. SIMPSON. I should think it would be beneficial.

Senator MILLER. It would give you information on what has been charged on both classes—live-stock and dressed-beef?

Mr. SIMPSON. Yes, sir.

Senator MILLER. And you could tell the differential rate?

Mr. SIMPSON. Yes, sir; but until within a very few days, the man does not live—a shipper or anybody else—who knew what the live-cattle men had been paying. If you look this question up you will find my statement in this respect is correct.

Senator MILLER. Does anybody know now?

Mr. SIMPSON. It has leaked out within a few days.

Senator MILLER. Can you give us any information as to where we can get testimony, or can you direct us where to look for it, that will show just what this arrangement is? You mentioned the name of Mr. Morris.

Mr. SIMPSON. I think Mr. E. F. Swift would be willing to testify. He is a dressed-beef man, and is probably the largest one in the world.

Senator MILLER. He is in Chicago?

Mr. SIMPSON. Yes, sir; he has a brother here in Boston. My impression is that Mr. Swift would give the information you want, and it would be reliable. He could furnish you with facts to back up the statement.

Senator MILLER. He is engaged in the dressed-beef trade?

Mr. SIMPSON. Yes, sir.

#### LIVE-CATTLE MEN ADOPTING DRESSED-BEEF TRADE.

Senator MILLER. You spoke of Mr. Morris.

Mr. SIMPSON. He is a live-cattle man in Chicago. He is beginning now to run a few car-loads of dressed beef into Boston.

The CHAIRMAN. He is going into that business himself?

Mr. SIMPSON. Yes, sir.

Senator MILLER. This contest between the dressed-beef and live-stock men is one of the changes of trade and commerce which is constantly occurring, owing to new inventions and the adoption of new ideas?

Mr. SIMPSON. Yes, sir.

Senator MILLER. It will undoubtedly work itself out, will it not, in favor of the cheaper method?

Mr. SIMPSON. It would seem so; yes, sir.

Mr. MILLER. It would do so, if left to its natural course, without any undue influence upon the part of railroads?

Mr. SIMPSON. Yes, sir.

Senator MILLER. Or if discrimination in rates as between two classes of goods were forbidden?

Mr. SIMPSON. I think there is no question about that. I think it would have worked itself out before this, under such circumstances. The live-cattle men could not possibly have competed with the dressed men. They did not have a purse long enough to do it, if they had not been aided by the railroads. Only a short time ago Chicago was the Western point for shipping dressed beef from. Kansas City now has its slaughter-houses. Omaha commenced one last Saturday. George H. Hammond commenced there to ship beef for the Eastern market; and not only that, but they will ship to Liverpool.

Senator MILLER. They are likely to extend the operation to shipping dressed beef right into the territory where it is raised, are they not?

Mr. SIMPSON. Yes, sir.

Senator MILLER. And not ship live cattle to Chicago, and other places, and then bring them from there as dressed beef?

Mr. SIMPSON. Yes, sir.

Senator MILLER. If you can save a large profit from Chicago to the East, it certainly would be true also from Wyoming and Texas to the East?

#### DRESSED BEEF HEALTHIER AND CHEAPER.

Mr. SIMPSON. Yes, sir. I think the beef is healthier if slaughtered right close to where it is grown than if shipped alive in the cars. I think it is safe to say that nine out of every ten cattle are more or less bruised when shipped in the cars. As a rule they are more or less injured, and some are killed.

Senator MILLER. Is there not a large shrinkage in weight?

Mr. SIMPSON. Yes, sir; about 40 to 50 pounds.

Senator MILLER. On each steer?

Mr. SIMPSON. Yes, sir. That of course is a dead loss to the producer. It seems to me almost needless to make the statement that has been made; but if you will only follow the investigation, you will find that I have not told anything too much in regard to this discrimination.

Senator MILLER. We shall be glad to have you give the committee, either publicly through the reporter or privately, any information as to interested parties who can be called before the committee who can give us this information. We do not ask you to make it public, of course.

The CHAIRMAN. I do not understand that you hesitate to make it public.

Mr. SIMPSON. Not particularly. Of course what I have said I should not hesitate to have go into the papers. But, on the other hand, I think it would be advisable for the committee to meet the gentlemen engaged in the business not only of shipping live cattle but dressed beef as well.

The CHAIRMAN. Of course we shall do that before we get through with our investigations, as we travel about the country; we shall find both sides in Chicago.

Mr. SIMPSON. If the committee is going to Chicago, it would be a very satisfactory thing, I think, for it to meet with the traffic manager of the Chicago and Grand Trunk Railroad, Mr. George B. Reeves. He understands the situation, and can give you the actual figures as between live-cattle rates and dressed-beef rates, and the rebates which have been given.

#### WHEN DRESSED BEEF GETS REBATES.

Senator HARRIS. Dressed beef gets no rebate?

Mr. SIMPSON. Yes, sir; I should say it does, but not until after it was found out that the live-cattle rates were broken.

Senator HARRIS. To what extent do the rebates go on dressed beef since that has been found out?

Mr. SIMPSON. We will say they pay 60 per cent. in advance. Of course whatever rebates come would be 60 per cent. on the amount paid. They would receive the same amount. Suppose we ship live cattle at 20 cents a hundred, and ship dressed beef at 60 per cent. above that. Suppose you reduce live cattle to \$10 a car. The dressed-beef rate would be reduced in the same proportion, 60 per cent. on the \$10.



Senator MILLER. If the rebate to the dressed-beef men was made in exact proportion there would be no inequality, would there?

Mr. SIMPSON. No, sir; but it never comes until the dressed-beef men find out that the live-cattle men have had it. It may run for a year or two without their knowing anything about it.

Senator HARRIS. You have first to detect, before you have any remedy?

Mr. SIMPSON. Yes, sir.

Senator MILLER. Then you would say that the publication of rates would be a great help in that respect?

Mr. SIMPSON. Yes, sir.

#### POOLS NO ADVANTAGE TO ANY ONE.

The CHAIRMAN. What do you think of the system of pooling for some eight or ten years back between the four or five trunk lines between the East and West?

Mr. SIMPSON. As it has been carried on I do not think there has been any advantage gained by either the railroads or the stockholders or the merchants. I think, as a rule, pools have been made possibly in good faith, but they have only been made to be broken.

The CHAIRMAN. They have not been lived up to at all?

Mr. SIMPSON. No, sir. When I met these gentlemen in Chicago the other day, I think I heard enough to convince me that several of them, to say the least, would be glad if there were any proper way marked out for them by some higher authority than the railroads to do this. It is surprising to see how men with the intelligence that the railroad managers possess will allow themselves to make such agreements as they will make, and then violate them so quickly. I told them the other day, "One of the differences between the railroads and our cattle-carriers' association is, that they stand by each other. You railroads, of course, make your agreements, and you break them."

The CHAIRMAN. You abide by your agreements?

Mr. SIMPSON. Yes, sir; whatever we agree to do we do. It seems as though the railroads search for some opportunity to get out of their agreements with each other.

The CHAIRMAN. So that the pooling contracts that are made are of no account?

#### POOLS ADVANTAGEOUS IF ADHERED TO.

Mr. SIMPSON. It seems so. If a pool could be kept, I think it would be of some advantage. I believe it would be a protection. I believe it is a benefit to the city of Boston, and to the merchants of this city, for us to have a regular established rate so that one man would not get any particular advantage over another in regard to the question of rates. I do not know why (it may be because I am not familiar with the railroad business, and am not acquainted with their management) I should be obliged to pay a higher rate to railroads who are common carriers than a man who, you may say, is in the ring and is well acquainted with them all. Perhaps his business may not be any larger than my own, but on account of his acquaintance with the railroads he gets the reduction.

The CHAIRMAN. What would you think of Congress passing a law for the purpose of regulating commerce among the States which would allow this pool and the contract system to go on, but with a supervisory power placed in the hands of some special tribunal with authority to look into

those contracts and investigate their conduct, and change them, or require them to be changed, if necessary?

Mr. SIMPSON. I should think it would be an improvement on the present system.

The CHAIRMAN. A pooling system would not be objectionable to you, if there were some supervisory power over the railroads that had the authority to look into the matter?

Mr. SIMPSON. No, sir.

Senator HARRIS. Suppose we could legalize the pool so that it would be enforced?

Mr. SIMPSON. That would have to be done. I think that when a pool is made, as a rule, the rate is made equitable. That is, it is put as low as the railroads can afford to carry for, and at a price that the merchants can afford to pay for transportation. If that is the case, no one ought to complain.

#### EFFECT ON RATES OF POOLING.

The CHAIRMAN. Has it been your observation that under the pool rates have increased or diminished, or have kept at about what the figure ought to be as long as they were in force? In other words, does it or not operate against competition to prevent a reduction of rates when the rates ought to be reduced?

Mr. SIMPSON. I do not think so; no, sir. I think it prevents often times a cut in rates which would be so low that it would be only a short time before they would be obliged to come together again. For instance, the Milwaukee and Saint Paul Railroad drew out of the pool a little while ago. But you can see that those pools are all made with the understanding that they must give a certain notice before drawing out. They give the thirty days' notice, and then, as they say, "they cut it wide open." The Milwaukee and Saint Paul did that the other day. Why? Because the pool is being violated, and they said, "We must come to some understanding." The railroads made their rates very low, and that brought the management of the different roads to their senses, and they came together and formed a pool which is to exist from July twenty-six months from the time it was formed.

The CHAIRMAN. That is a recent affair?

Mr. SIMPSON. Yes, sir. From all I could understand, the managements of the different roads were very highly pleased. Of course it had been a losing game with them all; and not only that, but the shippers felt very much rejoiced over the arrangement. They said, "Now we know where we are. We know what rate we have got to pay, and if we want to buy a car of hogs or of cattle, we can buy them at a price at which we can make a profit."

The CHAIRMAN. The shippers were as much pleased with the new pool arrangement as anybody else, then?

Mr. SIMPSON. Yes, sir. Mr. Hammond was intending to commence slaughtering cattle at Omaha, but he said, "I do not want to commence there until this rate is settled, so that I can know what live cattle men are doing." The rate was settled, and he has now commenced to slaughter his cattle. The rate is more than he would have had to pay for shipping according to the open cut; but he said he did not know how quickly at any time it might be put up.

The CHAIRMAN. How does that affect the original owners of the stock? The shipping men running the stock-yards there at Omaha, for instance, go about the country and buy cattle. They do not pay as much to the farmer for 50 or 100 head of cattle, on account of the rise

in the price of freight, as they would have been able to pay while that cut was going on?

Mr. SIMPSON. Yes, sir; but on the other hand I would say this: That during that cut the price was reduced in Chicago. A great many people thought they could get their cattle in for about half the regular price, and that was the time to put them in. The way the Omaha business is done is this: They base the price to Chicago at so much for the freight. They glutted the market, and the farmer got no benefit. It did not continue long enough to give the consumer any benefit; but the people in Chicago bought the cattle for less for the time being.

The CHAIRMAN. The farmer suffered, instead of being benefited, by the less price of freight between Omaha and Chicago, and from there to here?

Mr. SIMPSON. Yes, sir.

#### PUBLICITY OF RATES, WITH NO DRAWBACKS OR REBATES.

The CHAIRMAN. Your idea then is, as I understand you, that the pooling system, if carried out in good faith by the contracting parties, is not objectionable?

Mr. SIMPSON. I do not see why it should be.

The CHAIRMAN. But you think that publicity of rates should prevail?

Mr. SIMPSON. Yes, sir.

The CHAIRMAN. You do not think there should to be any drawbacks or rebates?

Mr. SIMPSON. No, sir. It does not look to me to be business-like.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. What do you think about this question of long and short haul? You have had considerable experience in business.

Mr. SIMPSON. I should think that the rate for a short haul should be more in proportion than for a long haul.

Senator HARRIS. Should the aggregate rates in any instance be allowed to be more for the short than for the long haul?

Mr. SIMPSON. I do not know that I exactly understand you.

Senator HARRIS. I mean, should a transportation company, for instance from Chicago to Boston, be permitted to charge a higher rate for half the distance in the direction of Boston than it charges from Chicago clear through to Boston?

Mr. SIMPSON. I would think they would be justified in doing it, and I would state my reason. If you are loading cars to haul freight only 100 miles there is just as much expense for clerks in the loading and unloading of that as there would be to bring it clear through to Boston.

Senator MILLER. Senator Harris does not refer to a pro rata rate, but to a complete charge.

Senator HARRIS. The aggregate rate for the whole service is what I mean. The question is, do you think it would be wise to prohibit a transportation company from charging more in the aggregate—not a proportionate rate, not more per mile, but more for the short haul than for the long haul over the same line of road?

Mr. SIMPSON. That is quite an important question. I don't know that I am hardly qualified to answer that.

The CHAIRMAN. Is there any reason why a railroad, with its office at

Chicago, which takes a dozen cars of cattle, for instance, to be shipped to Boston, and which also takes another dozen cars of cattle at a point 40 miles this side, on the same road, should charge more for the dozen cars at the station 40 miles this side than it does for the dozen cars on from Chicago to Boston?

Mr. SIMPSON. No, sir; there is no reason for that.

The CHAIRMAN. That is the point.

Mr. SIMPSON. There is no reason for that, because it costs no more to handle them.

The CHAIRMAN. Then it would be wrong to charge more for a short haul than for a long haul.

Mr. SIMPSON. It would in that case. But I was basing it upon the assumption made by this gentleman who preceded me, who stated the case of the Central Vermont Railroad. I will speak of that, as he did. It seems to me, to ship from Saint Albans to Boston that a higher rate should be paid than the through rate from Chicago to Boston.

Senator HARRIS. Do you mean a higher rate per mile, or a higher rate for the whole service?

Mr. SIMPSON. A higher rate per mile.

Senator HARRIS. But the question recurs then, would you think the transportation company justified in charging 20 cents from Chicago to Boston, and charging 25 or 35 cents from Saint Albans to Boston?

Mr. SIMPSON. No, sir.

Senator HARRIS. That is the question.

Mr. SIMPSON. I did not exactly understand. No, sir; not in the least.

The CHAIRMAN. So that you do not believe in the policy or practice of charging more for a short haul than for a long haul?

Mr. SIMPSON. No, sir. But you ask most any railroad man that question and he would answer you as I did. As I understand you to put the question now, I should say no. It is not justice to any one.

#### WHERE DIFFERENCES SHOULD BE ALLOWED.

The CHAIRMAN. I suppose there would probably be a reason why a railroad should charge a little more from a competitive point or from any little station along the road where they do not get much traffic.

Mr. SIMPSON. Yes, sir.

The CHAIRMAN. For having to stop the train merely to pick up a small amount of freight at one station, while at another station there would be a large amount of business done, and ordinarily there would be cars standing ready to load.

Mr. SIMPSON. Yes, sir; because it costs the company more per hundred pounds to do the business at the smaller station.

The CHAIRMAN. I do not know whether we asked this question or not: Do you think there ought to be any difference in the rate per car between a station shipping one car and another station shipping a dozen or twenty or fifty?

Mr. SIMPSON. As a rule, if a man wants to buy a very large bill of goods he buys it a little cheaper than the man purchasing a smaller bill. I think if a man should come to me, and I was a railroad general freight agent, and asked me what I would take fifty cars of freight for, I would be inclined to give a little better rate than I would to a man who said: "I have got one car of freight to ship; what will you take it for?" It might not be just right, but it would look to me so.

The CHAIRMAN. Would not that be a discrimination against the

farmer who has only one car to ship, and in favor of the middleman at the station buying grain, or dealing in anything else?

Mr. SIMPSON. Yes, sir; I think it would.

#### DUTIES OF RAILROADS AS COMMON CARRIERS.

Senator HARRIS. Do you think those discriminations are just?

Mr. SIMPSON. I am not saying that they are; but I say a railroad manager looks at his business as a business. I would feel justified, perhaps, as representing my stockholders, in taking a little less rate for 50 cars than I would if I only had one.

Senator HARRIS. You are not comparing a railroad's corporation business with the business of a private merchant. Private merchants owe no duty to the public, while a common carrier owes some duties, and has some public obligations. Do you think that is a very fair illustration when you compare one business with the other.

Mr. SIMPSON. I would hardly think it was, because I lost sight of the fact that they are common carriers, and are servants of the people. In that case they should carry one car as cheaply as many cars.

#### UNIT OF TRANSPORTATION.

Senator HARRIS. Can it make any difference at all whether that common carrier takes fifty cars of freight for one man, or one car-load of freight for each of fifty men, starting from the same point, and consigned to the same point?

Mr. SIMPSON. Not in the least.

Senator MILLER. There would be some difference in terminal expenses?

Mr. SIMPSON. Yes.

Senator HARRIS. If it starts from the same point, and terminates at the same point?

Mr. SIMPSON. Yes; but I was putting myself in the position of a railroad man. Here are four railroads starting from one place. There is a large amount of freight offered, and they are all naturally anxious to get it. On the other hand, as common carriers, I do not think they would have any right to discriminate in favor of the fifty cars.

Senator HARRIS. You think the single car-load is the proper unit for transportation?

Mr. SIMPSON. Yes, sir; I think for less than that they should pay a little additional on account of the handling. Then, again, they often-times have to run a car through two-thirds full at nearly the same expense in handling as if it were a full car.

Would the committee have any objections to saying to me when they expect to be in Chicago?

Senator HARRIS. We expect to meet there on the 12th of June.

Mr. SIMPSON. I expect to leave here on the 11th; and, if the committee would like it, I would prefer very much indeed to verify some of my statements as to our business.

The CHAIRMAN. We shall be glad to see you there, or any other gentlemen you know of who are familiar with any facts that bear upon the grievances which the Government of the United States has a right to take hold of. Of course we cannot undertake to legislate about every little grievance. We are trying to arrive at a general principle, and ascertain what sort of legislation the Government is called upon to enact, if any, to protect the people, and at the same time protect the railroads.

Senator HARRIS. While we shall be glad to hear everything that can be brought up in respect to the grievances that the shippers may have, we are equally glad to hear everything that can be said in the shape of a satisfactory answer to the grievances complained of; that is, we want to hear fully and fairly both sides of the question.

#### RAILROADS A GREAT BLESSING.

Mr. SIMPSON. I think a great many of the statements I have made the railroad people themselves would verify. I am a believer in railroads. They are a great blessing to the country.

Senator HARRIS. We could not get along without them, and yet we do not want them to own the country.

Mr. SIMPSON. No, sir; but on the other hand the stockholders should have some protection. You would naturally think that the management of the different roads would so consider; but it does not look as though they did. When they get into a fight it looks as if they made it a personal thing. They carry it out to an extent which is not only an injury to the merchant but the shipper, because the merchant and the shipper do not know where they stand.

Senator HARRIS. Is there anything which you would like to mention?

Mr. SIMPSON. No, sir; I do not know of anything more. I would state this: That while a pool commissioner is oftentimes of very great advantage to the railroads, yet, on the other hand, the pool commissioner is under the control of the railroads; and the difference, if the Government interfered, would be this: that while the pool commissioner is supposed to be under the direction of the railroads, the railroads would be supposed then to be under the direction of the Government. It would be then very much better, it seems to me, because the Government could have but one policy, and that is justice to all.

Senator HARRIS. That is the only policy it should have or will have. Whether we will create a measure which will work justice to all is the difficult problem before us.

Mr. SIMPSON. I do not claim to be wise enough to offer any remedy for this; but there is an evil existing, and if it could be remedied it would be beneficial to all.

#### RAILROAD LAWS PASSED AND REPEALED BY SAME LEGISLATURE.

Senator HARRIS. I understand in this State that there was a law passed to do away with unjust discriminations, which law produced such a panic that it was repealed before it took effect. I suppose the legislature thought it was passing a law to benefit the people. Yet, when the law was passed, and the people came to think about it, they believed it was going to ruin them, and they demanded a repeal. The same legislature repealed it within thirty days, or less. So we may make a mistake in the same way.

Mr. SIMPSON. We are all liable to make mistakes. In justice to our city, that rate should be established which would be about the same as that to New York. For instance, if a man starts in our business to go out and solicit consignments to Boston, a shipper would say, "we can ship to New York at 5 cents a hundred cheaper." That is a margin. I certainly hardly see the justice of it. I can understand why it exists. It is because the trunk lines—the Pennsylvania Central, and the New York Central—are very largely interested. That is, New York City

merchants are interested in those roads. They are stockholders in those road, and the roads are run in the interests of New York and Philadelphia, while Boston, as I say, is left out in the cold, with the exception of what the Grand Trunk road has done for it. The Boston merchants owe a great deal to the Grand Trunk Railroad, and to the Central Vermont, and the Boston and Lowell, and the Fitchburg Railroad, and their connections, for their present facilities.

### GEORGE H. BEAMAN'S STATEMENT.

GEORGE H. BEAMAN (manager of the Commercial Exchange of Boston) appeared and said:

I am of the firm of Beaman Brothers, members of the Commercial Exchange. It does the grain business of Boston. We are talking of uniting with the Produce Exchange.

### EXPORT REBATE DISCONTINUED.

I would say that the Boston and Albany Railroad sent us a notice to-day that this rebate of 5 cents a hundred pounds would not be allowed after to-day, unless the bill of lading made out in the West should be at the New York rate. By that you will understand that freight is shipped from Chicago to New York to-day at 15 cents a hundred pounds; and if a Boston dealer should order 25 cars of corn to come to Boston, and the bill of lading should be made out say at  $12\frac{1}{4}$  cents a hundred pounds, or any other rate, the Boston and Albany Railroad would not allow the 5 cents rebate on the hundred pounds on that corn, if it were exported. The Boston and Albany Railroad have been paying out this 5 cents a hundred on rates made to Boston that may have been less than the New York rate at the time the rate was made. Do I make myself clear to you? Chicago is billing grain to New York to-day at 15 cents a hundred. The rate to Boston should then be 20 cents a hundred. Then the Boston and Albany would allow 5 cents a hundred on that rate. They have been doing that.

The CHAIRMAN. Five cents rebate?

Mr. BEAMAN. Rebate.

The CHAIRMAN. That was done so that your rates would be even with those of New York.

Mr. BEAMAN. The same; but they think they have been imposed upon.

The CHAIRMAN. Who does?

Mr. BEAMAN. The Boston and Albany Railroad. They made an agreement with the Boston Commercial Exchange, so that our members felt that they could take a bill of lading to the Boston and Albany road and always get 5 cents a hundred off. They have always done this up to-day; and now, for the first time, they say they will stop and will not agree to give that 5 cents a hundred any longer, unless it is billed at 5 cents more than the New York rate.

The CHAIRMAN. In other words, you are put at a discount of 5 cents?

Mr. BEAMAN. If a man gets a less rate he will not get that 5 cents off.

Senator HARRIS. The New York rate being 15 cents on the hundred?

Mr. BEAMAN. Yes, sir.

Senator HARRIS. If the freight is billed to Boston, according to the New York rate, it will be 20 cents a hundred?

Mr. BEAMAN. That is the point. It must be 20 cents.

Senator HARRIS. And then you get a rebate of 5 cents, which makes your freight exactly the same to Boston as to New York?

Mr. BEAMAN. Yes, sir.

Senator HARRIS. But, instead of billing it to Boston at 20 cents, it is billed at 17½?

Mr. BEAMAN. That is it.

Senator HARRIS. And upon a bill of lading at 17½ cents have you been in the habit of getting 5 cents?

Mr. BEAMAN. We have been getting 5 cents, no matter what the New York rate was.

Senator HARRIS. The result of that was to lay your freight down in Boston at 2½ cents less than the same freight was laid down at in New York?

Mr. BEAMAN. That is it. But you must understand that there is another thing about that. The rate to New York may be 15 cents a hundred; but some agent is quietly giving some large shipper a 12½-cent rate. The man in Boston should have it billed here at 17½ cents; and then by getting the 5 cents a hundred he gets the same rate as the New York men. Under that plan the New Yorker might get a cut rate when the Boston man would not get the benefit of it.

#### CUT RATES NECESSARY FOR BOSTON EXPORT TRADE.

Senator HARRIS. Can you suggest a remedy for the evil which you mention?

Mr. BEAMAN. The Boston and Albany have heretofore carried out this arrangement. I have exported some corn to Liverpool and to Glasgow—not in a large way. H. D. Goodwin & Co., and Crocker Brothers are doing most of the export corn business to-day. I have done some little of it to Liverpool and Glasgow. I have found out that you cannot make any money doing that business in a small way. The only way in which the export business of Boston can be done profitably to-day is by a contract for fifty to a hundred cars of grain at a cut rate. There is not a man who can do the export grain business of Boston to-day in any other way than by a cut rate. I have watched this thing pretty closely for five years past. The large grain dealers in the West, the concerns at Peoria, Chicago, Saint Louis, and Kansas City, have done the grain business through Boston for the last few years on a cut rate. If you are familiar with Indianapolis, you will know the concern of J. R. Closser & Co.; the firms in Peoria are Greer & Co., Bartlett & Co., and Hancock & Co. Those few large houses, and those in Saint Louis as well, have been controlling this business by means of a cut rate. If Mr. Goodwin or Mr. Crocker had one of these bills of lading coming to the Boston and Albany, no matter what the rate was, the Boston and Albany paid them 5 cents rebate on it so as to enable them to get the same rate as New York. They got the rebate in order to compete with New York, and to export grain from this port.

If Boston is not allowed to have that rebate on grain I fear the business will stop to-day. I doubt if it could be done at any time, unless Boston could have the cut rate to New York, and then have 5 cents a hundred off from that. That is, if they are cutting the rate to New York to 12½ cents Boston has a rate of 17½ cents; and then by collecting the 5 cents it makes the rate the same; but, if it is billed at 20 cents, and Boston merchants get 5, that makes it 15. New York, getting 12½ cents, it throws our rate out.

Senator HARRIS. What is the difference between Boston and Liverpool, and New York and Liverpool?



Mr. BEAMAN. Perhaps a cent, or a cent and a quarter less from Boston to Liverpool than from New York to Liverpool.

Senator MILLER. Why, then, does the Boston shipper need the same rate from Chicago to Boston as the shipper in New York gets? Why not equalize the freight rate on freight clear through?

Mr. BEAMAN. Messrs. Crocker Brothers and H. B. Goodwin & Co. sell their corn to New York exporters. They do not sell it to Liverpool and Glasgow. Mr. Edward Kemble, who appeared before you, is the gentleman, I think, who inaugurated the first real movement of selling from Boston direct to the large buyers on the other side. They would cable to him and try to buy grain delivered in Liverpool. Mr. Kemble would figure what the grain could be bought for, and what the freight was, and then he would see what the profit was. The New York man could buy it for a little less. So that Boston must have to have some little concessions of this kind to be able to do the business she has been doing. Now, the Boston and Albany road having notified us to-day to this effect, I thought I would come up here and bring it before you as a fact that you could count on. Such a notice has been given to-day.

Senator MILLER. Your statement is that from this time on, if there is a cut rate from the West to New York, you will not get the benefit of it?

Mr. BEAMAN. Well, the Boston and Albany Railroad says it will not agree to do any more. They may do it or they may not. Heretofore they have said, "You bring us a straight bill of lading from Chicago to Boston at 20 cents a hundred, and we will allow you this 5 cents a hundred." But if you go up there with your bill of lading after to-day, they will say "That rate ought to have been 22½ cents, so we cannot allow you the 5 cents off on it." The regular rate to New York at the time that rate was given was, say, 20 cents, and the Boston and Albany road might say, "That bill of lading should be made 22½ cents." So that when you get a bill of lading now you have no surety that you will get the rebate, unless it is the regular rate.

The CHAIRMAN. What is the reason of this change of programme on the part of the railroad?

Mr. BEAMAN. I will tell you what I think it arises from. I think some of the large shippers West have been getting some rebate there, and the result is that the railroads have been paying rebate to two men. You can imagine in the case of a man in the West shipping 100 cars that the agent might say, "You ship this to Boston and I will give you some rebate on it;" and then the Boston and Albany road has to pay the man here another rebate. I have no doubt there has been considerable grain forwarded on which there has been more than one rebate paid.

Senator MILLER. Have you any positive knowledge of any such transaction?

Mr. BEAMAN. My knowledge comes from this notice of the Boston and Albany.

Senator MILLER. But that does not give the reasons.

Mr. BEAMAN. It does not prove it to me; but it shows that they want to put a stop to it.

#### PUBLICITY OF RATES AND CHARGES.

Senator HARRIS. What do you think of requiring all the railroad corporations to have through rates of freight, and not to change the published rates until a reasonable published notice has been given, say five, ten, or fifteen days?

Mr. BEAMAN. I think it would be a good thing.

Senator HARRIS. And that the roads should be required to adhere to the published rates until they are changed.

Mr. BEAMAN. I think it would be a good thing. But if you want my ideas, I do not believe that any commission the United States can establish can control the railroads of the country.

The CHAIRMAN. What can control them?

Mr. BEAMAN. The only thing that can control them is competition. Business controls itself by competition.

The CHAIRMAN. Are you in favor of cut rates?

Mr. BEAMAN. No, I am not; but I will say this: The same rate of freight from Chicago to Boston should be given to every man who applies for it.

#### SUGGESTIONS OF REMEDIES.

Senator HARRIS. Yes; but take the thing just as you find it now, with your present railroad system of cutting rates and giving rebates, and all that. In your opinion is it best for Congress to allow the present state of things to continue, or should Congress attempt to regulate it?

Mr. BEAMAN. I think they should attempt to regulate it.

Senator HARRIS. Then what should Congress do in the way of regulation?

Mr. BEAMAN. They did a noble thing in appointing this committee. It is one of the most important things that has been done.

Senator HARRIS. This committee is simply to gather facts.

Mr. BEAMAN. But you can express your opinion in Congress.

The CHAIRMAN. When we get all our facts and report to Congress do you think we should drop the subject then, or pass a law?

Mr. BEAMAN. I believe the West will demand that it should be protected. New England is not suffering to-day. We are getting our grain to Boston at less than the railroads can afford to carry it. Railroads are bringing this grain along here now without getting a cent for it.

The CHAIRMAN. Then I do not think you ought to complain very much.

Mr. BEAMAN. I do not complain of that, but I complain of the unjust system.

Senator HARRIS. If you get your freights to-day for nothing, you do not want somebody else to get his freights for less than nothing?

Mr. BEAMAN. That is just the idea. The large shipper in Chicago goes to a railroad man and says, "I will give you 10 or 12½ cents a hundred to carry 50 cars of oats to Boston." The agent telegraphs from Boston, "I will sell those oats for so much, delivered here." Another agent comes along. Finally he gets a 10-cent rate to Boston, and he telegraphs to his agent to sell 50 cars of oats at such a price. That is what they are doing every day. These rates have not been maintained.

The CHAIRMAN. What you want is stability in rates?

Mr. BEAMAN. Yes, sir. I think every man in Chicago, whether he ships 1 car-load or 100 car-loads, should have the same rates. I believe every man should have the privilege of shipping merchandise to Boston at the same rate as others from the same city. The business of Peoria, Saint Louis, and Indianapolis is all built up on some concession in freight. If you should have a regular rate all through the West, you would disarrange the business of every city there; the whole grain

business would be changed. Instead of coming into Chicago and from there here, all the corn that is this side of Chicago would be shipped direct to New York.

The CHAIRMAN. Would that do any hurt?

Mr. BEAMAN. It would not hurt anything; it would benefit the West.

Senator HARRIS. For taking up car-loads of grain 50 miles this side of Chicago, which are consigned to Boston, do you think the railroad company should be permitted to charge more than for precisely similar car-loads shipped from Chicago to Boston?

Mr. BEAMAN. It is a difficult question to solve. I know that leading cities have always been favored with lower rates.

Senator HARRIS. Is there any reason why a leading city should be favored with lower rates than a city or village which is not leading?

Mr. BEAMAN. I think that the large cities of the country should be favored with a lower rate than the smaller ones.

Senator HARRIS. Why?

Mr. BEAMAN. Because there must be some centers of business. Chicago has built up this immense grain business, and I think Chicago should have a lower rate than these smaller places near by.

The CHAIRMAN. Near by where?

Mr. BEAMAN. Near by Chicago. Otherwise I think you would disarrange the whole business.

#### THE LONG AND SHORT HAUL.

Senator HARRIS. Do you think there is any justice in a given railroad taking one car load of grain from Chicago consigned to Boston, and by the same train taking up another car-load 50 miles this side of Chicago consigned to Boston, and charging more for the last car than it charges for the first?

Mr. BEAMAN. They have done it. It has been the custom.

Senator HARRIS. I know they have done it; but is it just and right that they should do it, is the question?

Mr. BEAMAN. As an abstract question it is wrong; but custom has made it right that the large cities should have more favorable arrangements.

Senator HARRIS. Do you mean that custom has made it right, or common?

Mr. BEAMAN. It has made it common.

Senator HARRIS. I think that is the better mode of expression.

Mr. BEAMAN. Yes, sir; you are right. Custom has made it common. I have said to this committee, and I repeat it, and it can be proved, that the whole grain business of this country and the whole railroad business of this country to-day is in a demoralized condition, and that there is no stability or rates. Every agent is going for this grain at all kinds of prices, and there is no reliability whatever.

#### SUMMARY OF VIEWS.

The CHAIRMAN. We are about closing up our work here, but I will ask you one or two questions further. You think, on the whole, that Congress ought to do something?

Mr. BEAMAN. They ought to investigate the whole matter thoroughly.

The CHAIRMAN. And after they have investigated it they ought to pass some law?

Mr. BEAMAN. There ought to be some regulation.

The CHAIRMAN. You are in favor of publicity of rates, and in favor of a law that will prevent unjust discriminations, are you?

Mr. BEAMAN. In the same place?

The CHAIRMAN. Between men?

Mr. BEAMAN. Between men.

The CHAIRMAN. But you are not in favor of a law that would prevent unjust discriminations between places?

Mr. BEAMAN. No, sir; I do not think that would be feasible.

### CHARLES H. GILMAN'S STATEMENT.

CHARLES H. GILMAN (president of the New England Furniture Exchange) appeared.

The CHAIRMAN. You represent the furniture interest?

Mr. GILMAN. I am president of the New England Furniture Exchange.

### DISCRIMINATIONS IN RATES.

The CHAIRMAN. Will you proceed to state whatever grievances or evils you have against the present management of railroads in their dealings with shippers?

Mr. GILMAN. I came here entirely unprepared, not knowing of the meeting until about an hour and a half ago. The first point mentioned in the circular in regard to discriminations by corporations strikes me particularly for the reason that if we ship freight in our line of furniture to the West we are obliged to pay the double first-class rates. When that same bill of goods reaches Chicago, if it continues further west, the rates are reduced one-half. Consequently, we are not only competing with the West, where there are heavy manufacturers in our line, but we are obliged to pay twice the freight from here to Chicago. Those same people out West, in shipping eastward to compete with us, get cheaper rates of freight than we can get westward.

The CHAIRMAN. I understand you to say that you have to pay as much again freight from here to Chicago as they do from Chicago here on the same goods?

Mr. GILMAN. I am not prepared to answer that positively.

The CHAIRMAN. Do you pay more?

Mr. GILMAN. We do more, undoubtedly; but my first statement was in going west.

The CHAIRMAN. From Chicago to Omaha, for instance, they charge you a less rate than from here to Chicago by the same line?

Mr. GILMAN. One-half less.

The CHAIRMAN. So that, practically, Chicago manufacturers have the advantage of you with all trade west of that city?

Mr. GILMAN. Precisely. I am loaded up with the freight from here to Chicago any way, and doubly loaded on a double classification. Notwithstanding the fact that train after train of cars goes from Boston empty, we have to pay excessive rates of freight on furniture in order to compete with the Western manufacturers.

Senator MILLER. Your complaint, then, is against your own home roads which make the rate?

Mr. GILMAN. Possibly; that is, east of Chicago, if you call them the home lines.

Senator MILLER. Starting your goods from here, you get Massachu-

setts rates, and you do not strike the line of another road until your goods reach New York, probably a distance of 200 miles.

Mr. GILMAN. Yes, sir; but they are bound by the pool commissioner in New York.

The CHAIRMAN. Commissioner Fink?

Mr. GILMAN. Yes, sir. I have written him in regard to it, and I have been told that it was simply unadvisable to make any move in it. I do not know why.

The CHAIRMAN. Your complaint is against the operation of the pool?

Mr. GILMAN. Yes, sir.

Senator MILLER. What was your rate before the pool was organized?

Mr. GILMAN. That I am not prepared to answer.

Senator MILLER. Has it been less at any time than it is now?

Mr. GILMAN. That I am not sufficiently posted to answer.

Senator MILLER. Your complaint, as I understand it, is that the railroads discriminate against your class of goods going west from Boston as compared with the same class of goods manufactured in Chicago coming east from Chicago, or going west from Chicago.

Mr. GILMAN. Precisely.

Senator MILLER. And you cannot reach that market because of this discrimination in rates?

Mr. GILMAN. That is it.

#### DISCRIMINATIONS IN CLASSIFICATION.

The CHAIRMAN. Do you have any difficulty with the classification of goods?

Mr. GILMAN. Yes, sir. I have endeavored through the commissioner of New York to have them classified differently, and to have them go through as first class, for instance, instead of as double first class. Our home roads compel us to sign an annual release, in which we have to agree to pay all the freights, and make no claims for damages.

The CHAIRMAN. Your goods go through under the pooling system of the trunk lines this side of Chicago?

Mr. GILMAN. Yes, sir.

The CHAIRMAN. At Chicago the goods there strike another pool going west?

Mr. GILMAN. Yes, sir.

The CHAIRMAN. What is the difference of classification between this pool and the western pool?

Mr. GILMAN. Double. That was the first point that I made—that it is double what it is west.

The CHAIRMAN. I do not know that I understand the business of manufacturing sufficiently to comprehend it; but does that result from a different classification of the goods?

Mr. GILMAN. Yes, sir; because west of Chicago it goes as first class. Their classification is first class. East of Chicago it is double first class, twice as much.

The CHAIRMAN. So that Western manufacturers have the advantage of you on that account?

Mr. GILMAN. Yes, sir; and we have to make our price follow theirs. It bears heavily, of course, upon us as manufacturers.

Senator MILLER. Under that discrimination are you able to maintain business west of Chicago?

Mr. GILMAN. We are struggling hard to do so. It is somewhat expensive, however. We could do somewhat more business than we do.

Senator MILLER. Do you state as a fact that furniture shipped from Chicago to Massachusetts and Boston is brought here at one-half the rates charged for furniture going west?

Mr. GILMAN. No, sir; I do not make the statement that it is one-half coming east. As near as I can ascertain, it goes through at less eastward than westward. But going westward we are loaded up as double first-class freight from here to Chicago, and of course that governs our sales.

Senator MILLER. Because the railroads make your rate double first class it does not necessarily follow that it is an unjust rate or a large rate, does it?

Mr. GILMAN. If the western roads west of Chicago think it fair to take them at first class, I should think double first class was unjust; yes, sir.

Senator MILLER. Leaving that out, the mere fact that the furniture is made double first class does not prove that the rate on furniture is higher than it ought to be to enable the roads to be paid for the service. Of course, if the other roads are doing it at half what your roads are charging the inference is that your roads are charging too much; but it might be that the other roads are doing the business at a loss or not receiving a profit at all.

Mr. GILMAN. It has been the idea of the furniture manufacturers that we are paying excessive rates.

Senator MILLER. Why not apply to the Massachusetts commission for a hearing upon the subject as to what the rate upon furniture ought to be?

Mr. GILMAN. I doubt whether its influence would extend beyond this State. We do not confine our business, of course, to Massachusetts.

Senator MILLER. That influence would extend over this State at least?

Mr. GILMAN. Yes, sir.

Senator MILLER. It would extend to the question of what sort of a rate those of your railroads which are through lines ought to make. I refer to the Boston and Albany, the Hoosac Tunnel Line, and the other lines. If you think your rate is too high you have a redress by appealing to the commission and having a hearing and getting their judgment. Is it generally the custom of your roads to charge more for carrying goods West than for bringing goods from the West this way, so far as you know, with reference to other classes of goods than yours?

Mr. GILMAN. I cannot state that from my own knowledge. We are shippers to the West rather than from the West.

#### WHY RATES TO THE WEST OUGHT TO BE CHEAP.

Senator MILLER. It is generally stated and understood that the rates from the East to the West are quite as low as the rates from the West to the East, or are likely to be lower, because there are many empty cars going back which have come here loaded with grain. The rates of freight shipped to the West are, therefore, frequently lower than the rates from the West to the East.

Mr. GILMAN. Those are the very arguments I have tried to use with the agents here when I have tried to get reduced rates to the West. It is a fact that there are trains after trains of empty cars going to the West, and we, as furniture manufacturers, could give them a certain amount of income which they now lose because we cannot afford to ship owing to the freight charged.

Senator MILLER. You cannot pay their rates ?

Mr. GILMAN. No, sir.

The CHAIRMAN. Have you any other points on which you want to speak ?

#### LACK OF RECOGNITION FROM POOL COMMISSIONER.

Mr. GILMAN. The principal thing here was the classification and the inability on our part to get proper attention from the commissioner, although he acknowledged to one of our representatives that we were entitled to consideration in this respect.

Senator MILLER. You are speaking of the pool commission ?

Mr. GILMAN. I am speaking of Mr. Fink, at New York.

Senator MILLER. How is it with furniture shipped from New York to the West ? Do you know anything about that ?

Mr. GILMAN. That I do not know so much about. I presume they get a lower rate from New York to the West, but I presume they are under the same classification. As regards these questions that are put in this circular, I have seen them for only a moment, and am not prepared to answer them.

#### NATIONAL LEGISLATION NEEDED.

The CHAIRMAN. Have you thought about whether there ought to be anything done by the National Government to regulate the general subject of commerce among the States ?

Mr. GILMAN. It has occurred to me that that would be the proper way to govern the case—make a national affair of it, as we are obliged to ship through so many States. It is our endeavor to reach all over the United States, and of course we meet with that trouble.

#### DRAWBACKS AND REBATES.

The CHAIRMAN. Have you been in the habit of getting drawbacks and rebates from roads ?

Mr. GILMAN. We have occasionally ; but I have used the argument with some of the agents that I did not know how to go to work in the right way to do it. I knew that it was being done, but I did not know how to do it ; I could not do it. There were various ways of doing it dishonestly, but that was not my purpose.

#### CHARLES F. CHOATE'S STATEMENT.

CHARLES F. CHOATE (president of the Old Colony Railroad) appeared.

The CHAIRMAN. I believe you have a tariff table which we shall be interested in seeing. We should also like to have you submit such remarks as you desire in regard to it.

#### COMPETING LINES BETWEEN BOSTON AND NEW YORK.

Mr. CHOATE. For four years the New York lines had been doing business for nothing. There are between Boston and New York three Sound lines—what we call mixed lines—and one outside, and one rail line, making five lines between Boston and New York. For four years previous to 1878 there had generally been a sort of agreement about rates ;

some sort of a pool. I never knew particularly what it was, but they generally maintained their rates. Then competition broke out in 1877-'78, and during that competition they all made independent contracts and carried their freight for anything they could get. After a good while of correspondence, and several meetings between the officers controlling the lines, they made this contract; it is not a pool.

CONTRACT BETWEEN BOSTON AND NEW YORK LINES RELATING TO FREIGHT AND PASSENGERS, JANUARY 18, 1881.

This agreement, made this eighteenth day of January, 1881, by and between the following named parties, to wit, the Boston and Providence Railroad Corporation, the New York, Providence and Boston Railroad Company, and the Providence and Stonington Steamship Company, constituting together the so-called Stonington and Providence Lines; the Old Colony Railroad Company and the Old Colony Steamboat Company, constituting together the so-called Fall River Line; the New York and New England Railroad Company, controlling the so-called Norwich Line, and forming also a part of the all-rail line hereinafter mentioned; the Metropolitan Steamship Company, constituting the so-called outside line; and the New York, New Haven and Hartford Railroad Company, forming in connection with the said New York and New England Railroad Company a so-called all-rail line, witnesses as follows:

1. That on and after the first day of February, 1881, the freight rates between New York and Boston, to be charged and collected on all freight in either direction, over each of the lines formed as aforesaid, shall be and remain as set down in the tariff heretofore agreed upon, a copy of which is hereunto annexed, marked A.

2. That on after said first day of February, 1881, the freight rates between New York and Providence, to be charged and collected on all freight in either direction over each of the lines formed by any of the parties hereto between said New York and Providence, shall be and remain as set down in the tariff, a copy of which is heretofore annexed, marked B, except that the water line, so long as it shall continue to transport freight exclusively by propellers, may charge twenty cents per ton less than the rates prescribed in said tariff on all goods billed by weight, and proportionately less on goods billed by measurement.

3. That on and after the first day of February, 1881, the freight rates on business between New York and points northerly of Boston, reached by the parties hereto and their connections, and known as northern and eastern business, to be charged and collected on all freight, shall be and remain as per tariff to be agreed upon by the freight agents of the parties hereto, a copy of which, as soon as completed, is to be hereto annexed, marked C.

And that on after said date the freight rates to be charged and collected on all business between Boston and said points northerly thereof, and all points southerly of New York, and known as southern through business, shall be and remain as per tariff to be agreed upon by the freight agents of the parties hereto, a copy of which, as soon as completed, is to be hereto annexed and marked D.

4. That any of the parties hereto having outstanding at the execution of this agreement any time-contracts with shippers for the transportation of freight between any of the points above named are to be at liberty to carry out the same where legally bound so to do; but such contracts are to be terminated as soon as they legally can be, and shall not be renewed.

5. That the rates set forth in the tariffs hereto annexed as aforesaid are for all business to or from the regular wharves, landings, or freight depots of the respective parties hereto, in the cities of New York, Boston, Providence, or the harbors thereof, and other places herein referred to as now actually located and in use; and in case either of the parties hereto shall receive or deliver any freight passing between New York and the other places herein mentioned at, or shall send any steamers, floats, lighters, cars, trucks, or conveyances of any kind to, any other wharf, depot, or place, for the purpose of receiving or delivering freight at either end of either of said lines, the party so receiving or delivering shall charge and collect on all freight so received or delivered 2 cents per 100 pounds; and in case the freight so received or delivered is molasses in hogsheads, 25 cents for each hogshead, in addition to the regular tariff rate herein prescribed; provided, however, that such extra charge need not be made on freight from Boston to New York known as Southern freight; but such freight may be delivered to the Southern lines without such extra charge, it being understood that the rate on such freight between Boston and New York shall be as per tariff hereto annexed, marked A, and not subject to the provisions of section 6.

6. This agreement shall not apply to freight carried by either of the parties hereto in connection with other parties, through the city of Boston or New York, from or to either of said cities or points beyond, in case such freight is carried on a through bill



of lading or way-bill from its point of departure to its point of destination, except that business provided for under section 3 of this agreement shall not be affected by this section.

7. That all lines formed by any of the parties hereto, which are partly by water and partly by rail, are at liberty to give their shippers an insured bill of lading, without extra charge therefor. And, in case the water line designated herein as the outside line between New York and Boston, or the water line between New York and Providence, by propellers, themselves insure the shipper's goods, they are to charge the same rates between said points, respectively, as are herein prescribed for the other lines. But they are at liberty to make in any insurance company-specific insurance in an open policy, and shall charge the shipper, in each and every such case, the cost of such insurance, in addition to the rate fixed for such lines by the tariffs hereto annexed.

8. That the rates for first-class passengers, between New York and Boston and between New York and Providence, on and after March 15, 1881, and during the continuance of this agreement, shall be as follows, namely: The all-rail between New York and Boston, not less than five dollars, limited; the all-rail between New York and Providence, not less than four dollars and twenty-five cents, limited; the rail and steamboat between New York and Boston, not less than three dollars, limited, until June 1, 1881, and thereafter not less than four dollars, limited, from June 1 to October 1, in each and every year, and not less than three dollars limited, for the balance of each and every year; and the rate between New York and Providence, by rail and steamboat, not less than two dollars and twenty-five cents, limited, until June 1, 1881, and from June 1 to October 1, in each and every year, not less than three dollars and twenty-five cents, limited, and for the balance of each and every year not less than two dollars and twenty-five cents, limited.

That the rate for second-class passengers may be twenty-five per cent. less than said first-class rates;

Provided, that reductions may be made to emigrants and to theatrical and other companies and associations by agreement of the passenger or ticket agents of the parties hereto;

And provided further, that the passenger rates between New York and the White Mountains shall remain the same as by the various lines in the summer of 1880, until changed by agreement of the parties hereto having an interest in said White Mountain business.

And provided further, that all contracts for the transportation of passengers existing at the time of the execution of this agreement may be carried out, but shall be terminated as soon as they legally can be, and shall not be renewed; and no ticket issued or sold at a lower rate of fare shall be received by either of the parties hereto for a ride or fare during the period in which by the terms of this agreement a higher rate is to be charged and collected; and all such tickets shall show on their face that they are not good during such period;

And provided further, that all unlimited New York and Boston tickets of the issue of any of the parties to this agreement, whether dated prior to or after the date of this agreement, or if without date, shall be promptly redeemed by the issuing company from either of the parties hereto presenting the same, at the regular tariff rates prevailing at the time of presentation.

9. During the continuance of this agreement, no drawback, rebate, or commission, and no free pass or passage, or other unusual inducement of any kind or nature, shall be given, offered, or allowed to any shipper, consignee, or other party, by either of the parties hereto, or any of their agents or employes, for the purpose of influencing freight or passenger business onto, or over, any of the lines herein described. And each and every of the parties hereto hereby agrees with each and every other of said parties to prevent, by every available means, the use of any such undue influence for the purpose aforesaid. And it is also hereby agreed that no commissions shall be allowed or paid, directly or indirectly, by either of the parties hereto, for, or on account of, the sale of passenger tickets between the cities or points herein mentioned, except upon the written agreement of a majority of the passenger or ticket agents of the parties hereto; and no outside runners, soliciting agents, or drummers shall be employed or made use of by either of the parties hereto, for the purpose of influencing, or in any way inducing, passengers or freight onto, or over, either of the lines formed by any of the parties hereto, it being understood, however, that regular traveling passenger or advertising agents may be employed by any of the parties hereto.

10. It is further agreed that the general freight agents of the parties hereto shall meet from time to time, upon the request of any one of them, to revise the freight tariffs hereby established, and shall submit in writing any change in said tariffs proposed by them to the parties hereto; and, upon the approval of any such change by a majority of said parties, the same shall be and remain binding upon all the parties

hereto, as a tariff rate, but no change shall be made in the discrimination allowed to any party under this agreement without the consent of such party.

11. It is further agreed that all complaints in writing by either of the parties hereto of any violation of this agreement shall be referred to Charles Francis Adams, jr., who shall forthwith investigate and decide whether such complaint is well taken, and to that end shall have power to send for and examine any persons or papers under the control of any or all of the parties hereto; and his decision shall be final and binding all parties hereto. And, in case any agent or employé of the party or parties complained of shall be found to have violated any provision of this agreement, he shall be promptly discharged from his position, and shall not be reinstated without the consent of a majority of the parties hereto; provided, that the party whose agent or employé is thus found may have the option, instead of discharging him, to pay to the other parties hereto the sum of three thousand dollars for each violation as aforesaid.

12. That the Old Colony Railroad Company, while it operates the Union Freight Railroad, will haul cars for either of the parties hereto with New York freight over said Union Freight Railroad, at the rate of four dollars per eight-wheel car, empty cars returned free.

13. This agreement shall continue in force until sixty days after written notice by one of the parties hereto to all the other of said parties of its desire to terminate the same, it being understood, however, that before giving notice as above the party giving the same shall request a meeting of the parties hereto.

In witness whereof, the several parties hereto, acting by their respective agents, hereunto duly authorized have hereunto respectively subscribed their names the day and year first above written.

THE NEW YORK, NEW HAVEN AND  
HARTFORD RAILROAD COMPANY,

By \_\_\_\_\_.

BOSTON AND PROVIDENCE RAILROAD CORPORATION,

By \_\_\_\_\_.

THE NEW YORK, PROVIDENCE AND BOSTON RAILROAD,

By \_\_\_\_\_.

THE PROVIDENCE AND STONINGTON STEAMSHIP COMPANY,

By \_\_\_\_\_.

OLD COLONY RAILROAD COMPANY,

By \_\_\_\_\_.

OLD COLONY STEAMBOAT COMPANY,

By \_\_\_\_\_.

NEW YORK AND NEW ENGLAND RAILROAD COMPANY,

By \_\_\_\_\_.

THE METROPOLITAN STEAMSHIP COMPANY,

By \_\_\_\_\_.

The CHAIRMAN. What year was that?

Mr. CHOATE. That was in 1881. It is an agreement between all those lines I have spoken of carrying freight between Boston and New York. The Boston and Albany does not do much freight business between Boston and New York. There is rail freight by way of the New York and New England road and the New York and New Haven road. They bring their cars to the Harlem River, and then they are carried down to pier No. 15, East River. The Metropolitan is the outside line. It takes them about twenty hours to go between Boston and New York.

Then there are the three great Sound lines, the Fall River, Stonington, and Norwich lines. They at all times must do the bulk of the freight business between Boston and New York at the same rates, because they land in New York at a point where it is most convenient for the business of New York, on the North River, from pier 28 up to about pier 40. Those piers are in the neighborhood of the dry-goods business and the shoe business, and in fact of all the business of New York. They are directly opposite the Pennsylvania Railroad in Jersey City, and the goods can be lightered across. Everything being equal, they can command the business. But, of course, with a reduction of rates, the business might go some other way. Their time to New York is

about fourteen hours. They leave here at 4 o'clock in the afternoon and get to New York at 7 o'clock the next morning, occupying the same time going in the opposite direction.

The CHAIRMAN. This contract system, which is called the pool system here, was the result of that cutting?

Mr. CHOATE. The result of that cutting. We simply came together and agreed on rates.

Mr. CHAIRMAN. That agreement prevails to-day?

Mr. CHOATE. Prevails to-day. It is an agreement that can be determined, by either line on sixty days' notice. But I believe there has been hardly a single case of grievance claimed under it, or of any violation of it. You will see that they have fixed certain tariffs which are amended from time to time, but not very often, by the freight agents of the lines. *There* is one of the tariffs and you will see how minute it is.

The CHAIRMAN. Almost every article is mentioned.

Mr. CHOATE. Every single article. There is nothing that can be conceived of that is carried between Boston and New York that is not there mentioned?

The CHAIRMAN. The price of freight is specified?

Mr. CHOATE. The price of freight is specified. *There* is another one from New York to local points in New England, and *there* is still another.

The CHAIRMAN. Your roads have nothing to do with the pools between New York and Chicago, have they?

Mr. CHOATE. Nothing whatever. We are not in any of those pools. There is a local tariff to New Hampshire that is not worth while to be referred to; and there is still another one for the Southern trade where they agree on different freights. The only discrimination is that the outside line, the Metropolitan Steamship Company, is allowed a certain discrimination on some goods, perhaps to the extent of 15 to 20 per cent. That is done on the ground that it takes that line a greater time to make the distance; it cannot receive goods here and deliver them in New York the next day.

Senator MILLER. Therefore you permit them to charge a less rate?

Mr. CHOATE. Yes, sir; we permit them to charge a less rate, and they take certain goods that are not desirable for us to take on our steamboats. For instance, heavy hogsheads of sugar and heavy goods of that kind. Ours is substantially an express freight.

The CHAIRMAN. You carry all the lighter goods?

Mr. CHOATE. Yes, sir. There has been some complaint here about the rate charged. I do not think the rates are excessive. These rates are not over about two-thirds what they were before the competition broke out. It is a business that is done at great expense. Our pier expenses in New York are over \$100,000 a year. It takes about 20 per cent. of all our freights to pay our expenses in New York. The pier rents in New York are enormous. We pay \$45,000 a year for the rent of one pier in New York. It was the highest rent paid there; but I believe since that the Cunard Company and one or two others are paying more.

#### HIGH TERMINAL EXPENSES IN NEW YORK.

Senator MILLER. The terminal charges, then, amount to 20 per cent. of your business between here and New York?

Mr. CHOATE. Last year I think our freight earnings between Fall

River and New York were something over \$800,000. Our boat expense and other expenses there were over \$100,000.

#### THE OLD COLONY SYSTEM.

Senator MILLER. Your system, controlling the Old Colony road, is made up of a large number of small roads that have been substantially consolidated?

Mr. CHOATE. The Old Colony was made up of some twenty-three to twenty-five corporations. They made up the present Old Colony road. Our line is mainly down in the southern part of the State, and there we have the entire control. There is no competition at all in that territory. We have our regular rates. If a car comes in we make our charges to South Framingham. I think they pay us 60 cents a ton from South Framingham to Fall River. If it comes in to go over the tunnel line to Fitchburg, we charge \$3 more. The point of competition is at South Framingham.

The CHAIRMAN. Will you state as a matter of fact whether your rates here, where you have an absolute monopoly, are not higher than rates where you come in competition with other roads?

Mr. CHOATE. We do not come in competition with other roads anywhere. The rate is higher through that territory than the Boston rate. Since the adoption of what is called the short-haul law in Massachusetts all the western lines deliver anywhere on their route at Boston rates. The Boston and Albany rate is the same at Springfield or Worcester or Boston.

Senator MILLER. What do you say as to a comparison of the local rates between the territory covered by your company and other local rates in the State?

Mr. CHOATE. Of course they are higher than the rates on western lines where they get Boston freights.

Senator MILLER. I am speaking of your rates as compared with other local rates.

Mr. CHOATE. Just the same. All coal used to come to Boston and be reshipped from there. Now all this coal is distributed from points on Long Island Sound. We receive coal by Fall River and Somerset and New Bedford, and from those points we penetrate all through the country.

Senator MILLER. What do you say as to the comparison between the service of the present system, since the consolidation, and the service which existed when there were twenty-six separate corporations?

Mr. CHOATE. It is very much less. Judge Russell can answer that question perhaps better than I can. I should say that the passenger rates have been decreased 25 per cent. Freight rates have not been decreased, perhaps, so much. I cannot tell so much about that, because our freight becomes mixed-up. We cannot tell so well the difference between local and through freights.

Senator MILLER. On the whole, then, the consolidation has been beneficial to the people, rather than otherwise?

Mr. CHOATE. I have no doubt whatever that the consolidation through the whole Old Colony territory has been beneficial to the people and to the stockholders of those roads generally. But that is a question I would rather you would ask Judge Russell, who has been familiar with the course of it.

Mr. RUSSELL. It certainly has been a benefit. On that particular

subject I happened to be examined before the supreme court of New Hampshire. The question pending there in equity was whether they had the right to go into the policy of consolidation. The strongest possible illustration I could find of the benefit of consolidation was the Old Colony Railroad in its reduction of passenger and freight rates and in giving additional facilities.

Senator MILLER. It gave better service?

Mr. RUSSELL. Better service in every respect.

Mr. CHOATE. The road is in very much better condition in every way, and has better tracks, better depots, and all such things, since the consolidation; and it has paid a reasonable dividend.

Senator HARRIS. Then there is great economy in one management, instead of twenty-five different managements?

Mr. CHOATE. There is not the least doubt of it. The freight tariff on our road is specific. These things are divided up into classes.

Senator MILLER. Are your rates substantially public to everybody; are they known to everybody?

Mr. CHOATE. Everybody can come and get one of these books, if he wants it.

Senator MILLER. They are published for the benefit of any one who wants them?

Mr. CHOATE. We publish a limited edition for the use of our own men; but if anybody wants to get one, there is no difficulty in his getting it. Of course, we do not distribute copies of this large volume.

The CHAIRMAN. They can be seen in the office at any time?

Mr. CHOATE. They can be seen in the office at any time.

The CHAIRMAN. And at any station where there are shipments to be made?

Mr. CHOATE. Yes, sir. Of course, that is merely one of the Boston and New York tariffs. There is also one for inland points. Persons will find that at any freight office where they go.

The CHAIRMAN. That mentions the tariff of freights between New York and South Framingham and other places, naming all the places?

Mr. CHOATE. All the places on the route. Every agent has one of our general freight tariffs. We must have two or three hundred.

The CHAIRMAN. There is no attempt to conceal rates from anybody who has business with the road?

Mr. CHOATE. No, sir; anybody can get access to them who wants to. They are very rarely changed, either.

The CHAIRMAN. And they are never varied from by the road itself?

Mr. CHOATE. I should say not. Of course there are particular cases in every business, where men may come in and claim a rebate on some ground or other. They may claim that they have not had full weight, or something of that kind.

The CHAIRMAN. They claim an error in some form or other?

Mr. CHOATE. They claim an error in some form or other.

The CHAIRMAN. But there is no contract to change the rate?

Mr. CHOATE. Oh, no; we never have anything of that kind.

#### ADJOURNMENT TO PHILADELPHIA.

The CHAIRMAN. In the absence of any other person wishing to be heard, the committee will close its sessions in Boston, and will leave the city this evening. We go from here to Philadelphia, and will have a session at Philadelphia to-morrow,

PHILADELPHIA, May 28, 1885.

The committee met at 10 a. m., pursuant to adjournment.

### D. D. C. MINK'S STATEMENT.

D. D. C. MINK (general freight agent of the Clyde Steamship Lines and vice-president of the Coastwise Steamship Association), appeared and said:

There are some points that I shall pass over. In fact the subject has come upon us, as was stated at the meeting of the Mercantile Exchange yesterday, somewhat suddenly, and the committee have met very much earlier than we anticipated, and the general feeling there was that it was a subject of such enormous magnitude that it could not be well grappled with in detail in a few hours or days. We regard it as a matter five, six, or seven times of as much volume perhaps as our foreign commerce. There are some points that I will touch on briefly.

### COMPETITION AS A REGULATOR OF RATES.

In answer to your questions numbered 1 and 2, I say that competition will, in most cases, regulate rates and prevent extortion. Where are extortionate rates charged? Where is the capitalist that cares to invest money in railroads already built, and depend upon earnings on present rates for interest on investment? It is a well-known fact, that very many roads are not paying, and have not for a long time paid, any dividends.

I hold that the rates of transportation in America, compared with the rates ten, fifteen, or twenty years ago, have dropped more than other articles have dropped in proportion.

### PUBLICITY OF RATES.

In answer to questions numbered 3, 4, 5, and 9, I will say that it seems to me that it might be possible for a line to make public its *local* rates, but to the ten thousand (more or less) of through points to which, under the present system, rates are named, it would be utterly impossible. They are constantly changing, and the causes of change are or may be beyond the initial carrier, and over which he has no control. Looking at the thing from a practical standpoint, I say that we could make public the rates, for instance, for points between Philadelphia and New York, Philadelphia and Pittsburgh, that could remain undisturbed, no local developments requiring a change; but between New York or Philadelphia and some Western point, some peculiar circumstance might arise necessitating a change of rates which might throw in upon transportation companies tissue sheets covering thousands of points that would change so rapidly that the carrier could not keep type set up fast enough, or keep clerks working fast enough, to keep up with the changes and make them public. Then I doubt very much whether, if made public, they would ever be understood.

THE CHAIRMAN. Let me see whether I understand you. You seem to express the belief that publicity of rates between prominent points would not be objectionable?

MR. MINK. Between prominent local points, where they were within the control of the parties publishing them.

The CHAIRMAN. Take the through freight, for instance, from Philadelphia to Chicago on the trunk lines?

Mr. MINK. I suppose, possibly, that where there was an agreed-upon rate, if the through trunk lines were working upon a pool, and there was any permanency at all, the rates might be made public between New York or Philadelphia and Chicago.

The CHAIRMAN. Suppose they were not working under a pool, why not make them public nevertheless?

Mr. MINK. I suppose they could be made public. There are very many points, however, where the rates change. I can recall away down through the Mississippi Valley, six months ago, the rates changed almost daily.

The CHAIRMAN. Why did they change?

Mr. MINK. Because of some fight that the roads got into.

The CHAIRMAN. Simply for that reason?

Mr. MINK. Simply that.

The CHAIRMAN. Not because of any real reason connected with the price of transportation—that is, the amount that ought to be charged?

Mr. MINK. No.

The CHAIRMAN. But simply because of a controversy or quarrel between different lines as to which one should get the business?

Mr. MINK. Exactly; some new element of transportation coming in.

The CHAIRMAN. Do you or not think that that condition of affairs which you say exists is a bad thing for the people?

Mr. MINK. Unquestionably it may be a bad thing for the people.

#### EFFECT OF PARALLEL RAILROADS.

I saw it stated in the papers, however true it may have been, that it had been said before the committee that the New York Central, for instance, having been paralleled by the West Shore prevented the West Shore earning a dollar. I do not know that that was said before the committee, but I saw it in the papers. It would seem to me that the very reverse was the condition of things: that the West Shore being built and paralleling the Central had prevented the Central from making a dollar. The question has come up and been discussed in transportation circles, suppose the New York Central should secure the control of the West Shore road and thereby be enabled to re-establish rates upon some fair basis, what is there in the present condition of things in America to prevent the West Shore being paralleled again and the same disturbance occur?

The CHAIRMAN. There is not anything so far as the laws are concerned that exist on the statute-books of the States or of the United States that I know of, and the question is whether there ought to be.

Mr. MINK. That is a very grave question whether there should be some law. It would seem to me reasonable and right that some law should be framed that where a road was entirely unnecessary and would utterly destroy the revenue of an existing road that was a necessity, it should not be allowed to be paralleled. You are better informed than I, but am I not right in saying that that is the condition of things in England?

The CHAIRMAN. In some of the states of the Old World every road has it, business.

Mr. MINK. Its geographical limit.

The CHAIRMAN. The difficulty about the National Government regulating that in this country is that we have all these different States to

go through, and a road gets its charter from a State, and so far as that State is concerned it has a right to grant the privilege of building a road where it pleases for State business, and it would seem to be difficult for the National Government to have anything to say about the question of territorial control. But we are anxious now to ascertain, if possible, by having such gentlemen as yourself come before us, just what the complaints now are as against the railroad or other transportation companies of the country, and what proper remedies if any can be applied to cure the evils that exist, and to learn whether the Congress of the United States ought to pass any law on the subject or not.

#### GOVERNMENTAL POWER OVER RAILROADS.

Mr. MINK. Well, are not very many of the complaints imaginary complaints? It seems to me that Congress might as well undertake to legislate regarding manufactures as well as carriage. True, the carriage of the country may be subject to legislative control.

The CHAIRMAN. You do not claim that the railroad companies of the country occupy exactly the same position towards the public or the State that a manufacturing establishment does?

Mr. MINK. Possibly not exactly. They may be subject somewhat to legislative control. They derive some benefits from legislation, but then the question comes back to me, "Does not the public gain infinitely more from the carrier than the carrier gains from the State?"

The CHAIRMAN. But the set of men who want to build a railroad get a charter from somebody before they can do it. Then they have to get the right of way under the power of eminent domain, and until that is given them they cannot operate at all. Where a man wants to build a factory or any other establishment in private business, he goes out and buys a lot and puts up his house, and starts his machinery, and does not ask anybody any questions. There is that difference existing.

Mr. MINK. Yes.

The CHAIRMAN. Everybody concedes the proposition that the State, if you please, has the right of control over public corporations, such as railroads. The only question is, just how far in the interest of the public, as well as the railroads themselves, the Government ought to go. That is what we are trying to find out, if we can. Now, if you have any regular statement that you have prepared, perhaps you had better go on and complete it.

Mr. MINK. I shall waste no time, but will proceed to state my view.

#### UNIFORMITY OF RATES.

On the point of publishing rates, I say that no accurate or intelligible list could possibly be posted or printed. Uniformity in rates can no more exist than uniformity in price of raw or manufactured articles. The conditions of trade are not stable; if rates at a given point could be uniform for a given period, the same system of rates could not be applied generally; one section having a large coal district, like Pennsylvania, must cater to the coal trade; another, like Kansas, to the grain trade; Florida, to oranges, &c. While Florida could, without hardship, place a high tariff on iron, or Kansas on woodenware, New England must make woodenware rates as low as some other sections would charge on iron; a thousand things operate against uniformity of rates, or the establishment by law of maximum or minimum rates, among which may be named difference in grade, cost of fuel; as, for instance, in Pennsylvania, where it is at hand, or where the carrier must pay the added cost



of long transportation. Lakes, rivers, and canals enter into the establishment of freight rates in some sections, and not in others. The building of parallel rail lines, the building of short roads connecting with and enabling old lines to form a combination which, while longer, competes with the short line for business.

#### SELECTION OF LINES BY SHIPPERS.

Shippers can now select and forward by any particular lines they desire.

The CHAIRMAN. You say they can. Is it not, though, a fact that under the pooling system, the center of which seems to be in New York, freight is diverted from the line that the shipper desired it should be carried on?

Mr. MINK. Yes, sir; that is so, and it is a knotty question. I do not know that I would change my answer even on that. The shipper can select his routes.

The CHAIRMAN. Does he do it?

Mr. MINK. Suppose I go on a little further, and you will see whether I do not answer.

If a carrier names a through rate, he cannot allow the shipper to designate the particular roads over which the property must go. In the interest of the owner of goods certain lines have formed a combination which enables the carrier to give to the owner of goods a low through rate, and issue a through contract. The shipper is in no way compelled to avail himself of it. He may, if he choose, turn the hand on the dial back a hundred years, and ship locally. In such case, the one initial carrier would transport only to the end of its own line, charging local rates, where there must be a consignee, who must transfer the goods to the next carrier, and so on to destination; the local rates of each carrier, the commission of intermediate consignees, cost of transfers, delays, failures to locate responsibility for loss or damage, all preclude the possibility of such a system in the present age.

The CHAIRMAN. You say that a man can go to a freight agent here in Philadelphia, for instance, and tell him, "I want my goods shipped to Kansas City, and I want them shipped on particular lines of roads." Can that be done? Will the railroad do just what the shipper says in that respect?

Mr. MINK. Yes, sir.

The CHAIRMAN. But you say that the railroads will not do it under the pooling system that they have now.

Mr. MINK. I say that they will not do it now. I drop the pooling system, and say they will not do it and issue a through contract and a through bill of lading, which is greatly to the advantage of the owner of the goods and conduces greatly to the cheapness of rates.

The CHAIRMAN. Why will they not give it?

Mr. MINK. Simply for the reason that if certain lines meet and come together and say we will accept a certain mileage and a certain proportion of the through rate, and will agree to this form of through contract, they combine without becoming partners, of course, and agree to accept a certain proportion of a through rate which does not bring them under the law of partnership. If a man does not want to avail himself of that which they have been doing in the interest of the owner of the goods, and the shipper wants to ship his goods by some particular line, I say he has a perfect right to ship his goods by that line and ship them legally, but he is turning the dial back.

## POOLING ARRANGEMENTS.

The CHAIRMAN. That brings up the question of pooling directly. What do you think of that? Is it in the interest of the public that the pooling system should prevail?

Mr. MINK. There are others who can answer the question of pooling far better than I, and therefore it would seem to me useless for me to speak of it when President Roberts and Vice-President Thomson and those men who have been in the pooling meetings from the beginning know the whole matter. It is a matter that I have purposely left out, because I felt that others could discuss it far better.

The CHAIRMAN. At the same time you seem to favor it.

Mr. MINK. Yes; I think a pool on some better system than ever yet has been found would be well. What that system may be I am not prepared at this moment to say or discuss.

## THE LONG AND SHORT HAUL.

As to your tenth and eleventh questions, we think it is obvious to all that the carrier should be allowed to charge a less rate proportionately for a long than for a short haul. As to concessions on large shipments, it is simply a question of retail and wholesale.

The CHAIRMAN. You say it is obvious that transportation companies ought to be allowed to charge more proportionately for a long than a short haul. Do you believe that it is right that they should be allowed to charge more in the aggregate for a short than for a long haul? For instance, suppose you are shipping goods from here to Chicago, and from here to some point 50 miles this side of Chicago, do you believe that it is right that the railroads should be allowed to charge you more for the point 50 miles this side of Chicago than for Chicago itself?

Mr. MINK. The conditions of things are very different. Chicago being a vast center from which radiate innumerable roads it becomes a great competing center, all lines anxious for the business, all lines bending to it; why should it not be favored for the immense volume of its business with a lower rate than the little towns? That is under entirely different conditions from where the business is local.

The CHAIRMAN. Suppose you admit the proposition that such centers should be favored, is not that favoring the strong as against the weak?

Mr. MINK. Yes, sir; certainly.

The CHAIRMAN. Is it not building up great centers to the detriment of the people living outside of them?

Mr. MINK. True; and yet I see scarcely how it is different from all conditions of trade. If I want to buy 5,000 tons of white lead from a white lead manufacturer, I can certainly buy it cheaper than the little man can go and buy a 25-pound keg. It is so in everything.

The CHAIRMAN. That is so in private business, as I understand, but with a public corporation, that is created for the people as well as for the men who put their money into it, ought there not to be some regulation which would prohibit that public corporation from imposing upon the weak man 50 miles nearer to Philadelphia than the strong one at Chicago, for instance, or any other point 50 miles further away that is a great center? Would it not seem as though there ought to be something to prevent that condition of affairs?

Mr. MINK. Yes, it is a hardship; there is no question about it.

The CHAIRMAN. Still you are not inclined to believe that the Government ought to interfere with it?

Mr. MINK. I am not. It is needless to argue that the great manufacturing interests of the land issue their price-lists subject to large and varying discounts; a man cannot expect to buy 25 pounds of a given article at the same rate per pound that he could purchase 25 tons. We hold that these rates are private, and should not become public property.

## COMPLAINTS AGAINST TRANSPORTATION COMPANIES.

The CHAIRMAN. You say you are engaged in transportation on the water mainly?

Mr. MINK. Yes, sir.

The CHAIRMAN. Not in inland commerce.

Mr. MINK. We have a large rail interest South, and I represent the steamships along the coast.

The CHAIRMAN. You do not come here with any complaints against transportation companies at all?

Mr. MINK. Not at all.

The CHAIRMAN. We hear as we travel about the country, from shippers and farmers and business men, complaints that their freights are diverted from the lines that they indicate that they desire their freight to be shipped upon, that some get drawbacks and rebates and some do not, that persons are unjustly discriminated against, and that places are unjustly discriminated against. What do you say, as a man engaged in transportation, to those charges?

Mr. MINK. I would unequivocally say, as a transportation man, that I am opposed utterly to any rebates.

## PROHIBITION OF REBATES.

The CHAIRMAN. Do you think they ought to be prohibited by law by the National Government on all interstate commerce?

Mr. MINK. I would heartily favor making it illegal to pay any rebates, provided that the law could be so framed that you could not drive a horse and cart through it after it was made. There are so many ways of getting around paying a rebate that to leave legislation so loose that there was the slightest loop-hole would be very dangerous.

The CHAIRMAN. What are those ways?

Mr. MINK. It is almost impossible to tell. Allow a rate to be given and it will be private and confidential; it will be canceled if it ever becomes known. There are a thousand ways in which rebates can be paid. Then suppose that to avoid paying rebates I go to a shipper and say, "Now I am prohibited by law from paying you any rebate; there is no way to do it; this thing is ended; but if you let your clerk give me the business, I will pay him a commission," or "I will give him \$5 a month salary."

The CHAIRMAN. Would not that be a violation almost absolutely of a law prohibiting rebates?

Mr. MINK. Perhaps, if that would be looked upon as rebate. I just cite such things to show how peculiarly transportation rebates may be paid.

## DISCRIMINATION IN RATES.

As to discrimination, I think very much of the so called discrimination is not discrimination at all, while I think there is discrimination.

The CHAIRMAN. Some discrimination may be right, but unjust discrimination is the thing we are after.

Mr. MINK. Unjust discrimination I think should be made illegal. Very grave intricacies come in there. I hold that if a party ships a given quantity of freight in a given time under the same conditions he should have the same rate as anybody else. That is fair discrimination. That would not apply through all the year. I may say to a man, "If you will give me 5,000 tons of iron to move in three months I will give you such a rate," and I may limit those months. I could move it possibly when I was not in the midst of a cotton season, when I was not, as the transportation interests are now, in the midst of the green-truck season from Florida to Charleston, and working as we now are from Virginia. That condition of things could apply in certain seasons of the year and not in others. But I hold that any man who would offer the same quantity at the same time under the same conditions ought to have the same rates.

The CHAIRMAN. Now suppose that two men are a little differently situated. In other words, suppose that you have fifty car-loads of material, whatever it may be, and your neighbor has but one car-load to ship from a given point to a given point, ought you to have a better rate because you have fifty car-loads than the man who has only one whole car-load?

Mr. MINK. Yes, sir.

The CHAIRMAN. Is not that discriminating against the weak again?

Mr. MINK. Yes, sir; because if I admit your proposition you can carry it to less than a car-load.

#### UNIT OF TRANSPORTATION.

The CHAIRMAN. What do you think ought to be the unit on that subject; where ought the thing to stop? A good many men have said before us, both railroad men and business men, that the car-load should be the unit.

Mr. MINK. That seems to be generally adopted as the unit, and yet it is not the unit. It is the unit in trunk classification, and the only unit that I know of which could be well adopted. What a car-load is I do not know. I did know ten years ago what a car-load was, and I am hardly sure that I did then. I explain myself in this way: Ten years ago, for instance, car-loads were all of the capacity of 20,000 pounds; they are up to-day to 40,000, 50,000, or 60,000 pounds. That is the weight now. I give a man a car-load rate on wool. Is it 20,000 pounds or is it a car-load? You cannot get over 7,000 or 8,000 pounds of wool into a car.

The CHAIRMAN. I suppose, as a matter of fact, that depends a little on the classification of the goods.

Mr. MINK. My idea would be that the unit should be a car-load, and then fix the weight.

The CHAIRMAN. You and your neighbor are shipping the same things. You have fifty cars and your neighbor has one car, and you are shipping from Philadelphia to Chicago for instance. Now, ought you to have the same rate, in your judgment, as a matter of fairness?

Mr. MINK. I suppose there should be a unit, and I know of no other unit than the car-load. My mind naturally drifts to the idea that the big man should be favored, not because I would not build up the weak, for it is the interest of the carrier to make as many strong men as he can. I think it is a great mistake to build up a monopoly in any one business, because then if the carrier loses that man his business is gone.

I would rather see a man go into any carrier with one hundred entries than with ten.

The CHAIRMAN. Is it not in the interest of the whole people that the weak as well as the strong should be treated exactly right by public corporations?

Mr. MINK. Exactly right; but exactly right is not always exactly alike.

The CHAIRMAN. Sometimes not, but in this particular case, taking the illustration of the car-load, the question is what is "alike," whether the same charge should be made against the man who ships eighty as the man who ships one car-load.

Mr. MINK. I should say the car-load should be the unit.

#### PROHIBITION OF REBATES.

The CHAIRMAN. You were talking about the prohibition of rebates a while ago, and the difficulty of legislating so as to prohibit them if we even undertook to do so. What would you think about the Congress of the United States passing a law prohibiting rebates and providing for a commission whose duty it should be to see that the law was enforced not only in that particular but every other that the law might provide against?

Mr. MINK. How can I answer that question without knowing at all what the law will be that the commissioners are to be the executive officers of? So far as the rebates are concerned, I should favor the commission.

The CHAIRMAN. I am talking now about the question of the best means of enforcing a law prohibiting rebates in whatever terms it might provide.

Mr. MINK. I should favor it.

The CHAIRMAN. Of course all laws are liable to be violated, and the question is how we can best prevent their violation.

Mr. MINK. You can readily see how many ways there are secretly of doing these things. I speak as a transportation man.

#### PUBLICITY OF RATES.

The CHAIRMAN. You are a transportation man. Some people have said that the rates should be made public. In other words, publicity of rates is urged by a great many people, not only as between prominent points but between all points. Do you know any reason why that should not be?

Mr. MINK. No reason except that which I have stated. I do not think if rates were stable entirely and no rebates were to be paid the transportation interests of the country would object—I for one would not—to the rates being made public; but while the present condition of things exists, so that the rates to innumerable points change so rapidly, I say, as a transportation man, that it would be utterly impossible, and that when published the great majority of the public would be just as ignorant regarding rates as they would be with them unpublished. A leading transportation man said to me some time ago regarding the publication of the time tables in Ballenger's Guide and Official Time Tables, "It takes an expert to find out how trains run." If that is the case regarding time tables, which are comparatively simple, how are the public going to tell anything about the rates from published schedules?

Again, classification and rates work together, of course, on very many of the roads. I allude now especially to points on the Illinois Central

road, running down through the Mississippi Valley; it would be under the present condition of things utterly impossible to name a rate. A transportation company from New York or Philadelphia can scarcely name a rate there, because they take a given rate and given classification to a given competitive point and then become subject to the change of classification of the connecting local roads. Therefore a high rate from the competitive point to the point on the Illinois Central for the purpose of keeping the trade of the Illinois Central from the Atlantic seaboard and driving it to Chicago could not be made public, because a transportation man could scarcely name it with the greatest care.

Senator MILLER. Would not the making of the rates public correct a great deal of that wrong? Would the railroad companies and transportation companies consent continually to publish in their own offices a list of rates which any man could see to be unjust; would they continue to do that?

Mr. MINK. They do not consider it unjust. We have no universal classification. The matter has been taken up many times in this country relative to a universal classification. I have had perhaps as much experience with uniform bills of lading as almost any man in the country, and I have looked somewhat at classification, but the condition of things varies so much on classification that, as I say, New England will manufacture its kegs and its various kinds of woodenware and put them in the fourth class, while Kansas would put them in the first; and so, as your mind runs over the country, you can see that the conditions of freight whether timber, coal, iron, oranges, &c., vary very much.

Senator MILLER. You said that one difficulty in making rates public is the constant changes of rates, particularly in the West and Southwest.

Mr. MINK. Yes, sir.

Senator MILLER. Is it not desirable for the commercial community and also for the transportation companies to have uniform rates, to have permanent rates as far as possible?

Mr. MINK. As far as possible, certainly; and I think greater stability would be given to rates if this rebate matter could be gotten out of the way. I think the public generally do not care so much what the rates of transportation are, they being fair, as that they should be uniform, so that a man shall feel "I do not want to pay more than my neighbor."

Senator MILLER. Then the state of affairs which you describe as existing among transportation companies is most injurious to the business of the country and of the transportation companies.

Mr. MINK. Certainly; because their interests are entirely mutual.

Senator MILLER. Then why would not absolute publicity of all rates, together with a law requiring that notice of any change shall be published at least ten days in advance before it takes place on all interstate commerce, be beneficial to the commercial community and also to the transportation companies?

Mr. MINK. I see no objection to it, provided the causes of constant change rendering it impracticable to my mind are removed.

Senator MILLER. As a transportation man you agree that any law or any change which would bring about uniformity of rates, prevent discrimination as between shippers, and prevent the sudden and unannounced alteration of rates would be desirable?

Mr. MINK. Do we agree on discrimination? You say "discrimination."

Senator MILLER. I mean by discrimination a different rate to indi-

viduals who are shipping the same class of goods over the same road, and to the same points.

Mr. MINK. In the same quantities and under the same conditions.

Senator MILLER. Under the unit which you have already agreed should be a car-load.

Mr. MINK. Yes, sir; I do.

Senator MILLER. Anything that would produce those results would be beneficial to both the commercial community and to the railroads?

Mr. MINK. Yes, sir.

Senator MILLER. And you have told us, as a transportation man, that those evils exist.

Mr. MINK. Yes, sir.

Senator MILLER. Have you any suggestion to make as to what can be done properly to prevent it?

Mr. MINK. Not at the present moment.

#### PRO RATA RATES.

Senator MILLER. What do you say as to a general Federal law which would compel all transportation companies to carry all interstate commerce at a fixed pro rata rate per mile?

Mr. MINK. I think it would be utterly impossible.

Senator MILLER. Why so?

Mr. MINK. For the simple reason that you may fix the transportation per ton permile by a law that you apply to all parts of the land, while the conditions in various parts of the country are entirely dissimilar. You may have a hundred-foot grade in Pennsylvania and a perfect level on the prairie. I may be compelled to carry the iron and coal of Pennsylvania in Pennsylvania infinitely cheaper than I would carry the same things in a woodland country.

Senator MILLER. I am not supposing that the same rate was made for all the railroads of the country; but, each railroad making its own rate, would it be wise or not wise to compel it to establish a pro rata rate over its own line?

Mr. MINK. I do not think the Government of the United States should either make a maximum or minimum rate.

Senator MILLER. Or a pro rata rate?

Mr. MINK. No, sir.

#### THE LONG AND SHORT HAUL.

Senator MILLER. Do you think you have already answered the question as to charging more for a short haul than for a long haul over the same line?

Mr. MINK. I think the privilege should be allowed the transportation company of charging more for a short than a long haul.

Senator MILLER. Starting from the same point and going in the same direction?

Mr. MINK. Yes, sir.

Senator MILLER. Why so?

Mr. MINK. The instances are many. Take a way-train stopping for passengers. It costs the road more; the wear and tear in stopping a train ten times in 20 miles is more than going through 20 miles. Therefore I see nothing unreasonable in charging more per passenger or per ton per mile for a short distance than a long.

Senator MILLER. In nearly all cases that rate per mile is fixed by the

charter. It is fixed per mile without any regard to the distance the passenger may travel.

Mr. MINK. Yes, that is the condition of the New York Central and some other roads.

Senator MILLER. Why not apply it to freight rates?

Mr. MINK. I do not think it should ever have been applied to passenger rates.

Senator MILLER. Do you think then that if you were shipping grain from Chicago by the car-load to Philadelphia by way of Harrisburg, there could be any condition of affairs which would make it right for the railroad company to charge we will say 20 cents from Chicago to Philadelphia and 25 cents from Chicago to Harrisburg at the same time and on the same kind of freight?

Mr. MINK. Yes, sir, I do.

Senator MILLER. Give us briefly your reasons for that.

Mr. MINK. Chicago and Philadelphia are great centers. The business, as I stated before, radiates from a vast grain section to Chicago, and distributes itself to Chicago for shipment to Philadelphia, and for various parts of the country, or for Europe. In order to invite that trade via Philadelphia, for other sections, or for Europe, I do not see why a lower rate should not be allowed to Philadelphia; or I cannot see why Congress should prohibit a lower rate to Philadelphia than to a nearer point to Chicago for local consumption.

Senator MILLER. Is not that the most unjust discrimination you can imagine as between the consumer of the grain in Philadelphia and the consumer of the grain in Harrisburg?

Mr. MINK. Possibly it may be so.

Senator MILLER. Your State has given a charter for a railroad to be built throughout its length passing through Harrisburg and coming down to Philadelphia. The railroad has been built. It has taken land under the right of eminent domain. There is no other line we will say permitted. Now you allow the railroad to charge a rate from Chicago to Philadelphia which may just pay the actual cost of hauling the cars, or, under competition with other trunk lines may reduce it to a point below actual cost, so that it does not pay the running expenses of the train, much less any of the fixed charges of the road. Then you think it would be right for the Pennsylvania Railroad, in order to maintain its dividends, to recoup its losses on through business by charging other citizens of your own State, not of some other State, such a rate as will save the railroad company in its general business from any loss and enable it to pay dividends?

Mr. MINK. I feel this way: In the first place rare are the cases where another line has not been permitted. You say that one line has been permitted and no other, which is not the case between Harrisburg and Philadelphia.

Senator MILLER. I will withdraw that qualification and say that there are sixteen competing lines running from Chicago through Harrisburg to Philadelphia.

Mr. MINK. I answer that, for the reasons given before, I do not think the railroad should be compelled by law to name the same rate to Philadelphia as to Harrisburg, for Harrisburg and Philadelphia are differently situated. One man has chosen Harrisburg as his place of manufacturing or living. If he wants to move to Philadelphia to benefit himself by lower rates he can come here. I hold that Harrisburg and all the line of the Pennsylvania railroad has been benefited by the charter.



Senator MILLER. I am not going into any general consideration of the subject in that way. The question is, to come back to it, whether the charges of a railroad should not be in proportion to the service rendered and in proportion to the cost of the service rendered. I suppose you will not claim that it costs less to haul a car of grain from Chicago to Philadelphia than it costs to haul the same car of grain from Chicago to Harrisburg by the same road?

Mr. MINK. Oh, no.

Senator MILLER. Still you hold that the railroad, a public corporation, getting its rights entirely from the State, should be permitted to charge a citizen of Pennsylvania more for stopping that car at Harrisburg than it would if it hauled it clean through to Philadelphia.

Mr. MINK. I would argue from this standpoint that the railway had established its rate to Harrisburg as low as it should be, if you will allow me to take that view.

Senator MILLER. By that do you mean that it has established such a price as pays the cost of doing the work and pays its proportionate part of the fixed charges of the road to give a fair profit to the company?

Mr. MINK. Yes; having done that, we will say, before the western competition came in, certain circumstances arise by which it is necessary for the road to take a portion of the western business. In order to get that business, which is so much addition, and draw a certain amount of trade to Philadelphia, it must allow a lower rate. I do not see why Congress should step in and compel the charge on that western business to be proportionately higher than the rate already established to Harrisburg.

Senator MILLER. I am not saying "proportionately higher." I am asking whether under any circumstances it should be permitted to charge more for a shorter distance over the same road for the same freight than it does for a longer haul, coming back generally to the question whether it would be right, under any condition of affairs, for a railroad to carry through business at a lower rate than it can properly afford to do it and recoup its loss on the through business from the local business of the road?

Mr. MINK. I still maintain my original opinion that the road should be allowed to charge less on the through than on the local business.

#### WATER-ROUTE COMPETITION.

Senator GORMAN. As it stands to-day, competition is the only thing that regulates freights. Now, what effect has your water transportation from competing points, say Norfolk, Charleston, Savannah, with the rates of freight?

Mr. MINK. It has its influence, of course. I do not know whether I get the drift of your question.

Senator GORMAN. I want to know what influence it has on the railroad rates.

Mr. MINK. I was going to answer in this way: If a railroad line has no parallel waterway it could unquestionably, were it so disposed, and would naturally, charge a higher rate than though it was paralleled by a water line, ocean or river, and that is recognized as a rule. Where arrangements are made between rail and water lines they come together on the question of what are called insured differences.

Senator GORMAN. Is that the rule with the coastwise trade?

Mr. MINK. In many cases that is so.

Senator GORMAN. Do you mean to say that you pool as a rule?

Mr. MINK. Not pooling, but without pooling lines may get together and enter into an arrangement by which rates shall be established between given points, and they shall be so much by rail and so much less if partly by water to cover insured differences. Not only do they cover insured differences by water, but they cover also the difference in the number of departures, rail lines running daily and water lines running weekly, semi-weekly, or tri-weekly. Hence, water differences are allowed, and they do regulate rail rates. So I agree with you fully that competition regulates that.

Senator GORMAN. Take Baltimore, for instance. You have from here there a railroad of low grade, a fine road, and you have a canal and river, and you have the bay and the ocean. It is 100 miles from here to Baltimore. How do your rates compare between here and Baltimore and 100 miles in the interior, where there is no water communication?

Mr. MINK. There is very little freight moving from here south of Baltimore by the route you speak of. There is scarcely any amount of freight for south of south sent via the canal from here to Baltimore. The route by water would be from here to Norfolk or Portsmouth, or further south to Charleston, or still further south to Savannah by water, and the rail route would be either via Roanoke or via Baltimore and the bay to Norfolk.

Senator GORMAN. From those points the water-route competition does have a decided effect on railroad charges, I understand you to say.

Mr. MINK. Yes; but not in all cases. Via Norfolk the rates are the same.

Senator GORMAN. Is that by an arrangement with the railroads?

Mr. MINK. No, sir.

Senator GORMAN. If an act were passed by Congress regulating interstate commerce, and as the chairman has stated, one provision should be to require the rates to be published and no changes made within five days whatever the conditions might be, ought it apply to interstate commerce by water as well as by rail?

Mr. MINK. I do not see how you could well separate them. I think it should apply to both water and rail if it applies to interstate commerce. In a large number of cases they are so intermingled and interwoven that they are practically one. Very many of the rates named are over rail and water; some of course are local water rates; but rates on all through business would naturally bring rail and water together.

Senator GORMAN. So that if a commission were appointed to regulate charges and supervise them, it ought to apply to both water and rail?

Mr. MINK. I should certainly say so as to interstate commerce.

The CHAIRMAN. Do you distinguish a difference in the necessity of regulating inland railroad transportation and transportation upon the water in this, that if a corporation owns a railroad it has the exclusive control of it while on a river or a lake anybody who chooses to buy or build a boat can put it on and run it?

Mr. MINK. That is very true; but suppose you are running a railroad line parallel with the Mississippi River, would it not be a hardship for Congress to legislate as to the rail rates if you please, go so far as to fix them, and allow the waterway to be so free as to destroy utterly the business of the road?

Senator MILLER. Would you say that after the Government has spent a great many million dollars upon the Mississippi River in order to make it free for the navigation of all our people, we should then put any limitation on the charges that should be made on that river?

Mr. MINK. If I was a railroad man, it would seem to me unjust that I should be compelled to hold a certain tariff running alongside the river, held there by the United States law, and the United States Government should hold that because of its improvement of the Mississippi River the boats on it should be allowed to demoralize my business.

Senator GORMAN. You mean that if a railroad running parallel to the Mississippi River was compelled to maintain the tariff rate and not change it without ten days' notice, a barge line owned by Mr. Gould, for instance, should be subjected to the same restriction precisely?

Mr. MINK. Certainly; otherwise you allow the railroad management to get around the law.

Senator MILLER. Do you think the Government should go on and improve our rivers and harbors and then make fixed rates on them and not leave them open to free competition among all our citizens?

Mr. MINK. Why, then, should the Government attempt to fix arbitrary charges upon a company to which it has given rights on land?

Senator MILLER. You misunderstand the position entirely. I am not arguing that the Government should do anything. We are here asking the commercial people and transportation people what regulation, if any, they think should be made. I am not arguing that the Government should fix the rate of freight. We are simply asking for your opinion as a transportation man as to whether you think the Government should do anything, and if so, what. We shall ask all the commercial men and shippers what their grievances are and what regulations they think should be made. I asked you a moment ago if you believed in the Government fixing the rate of freight or compelling roads to make it pro rata. You said "No." That ended that part of it.

Mr. MINK. Neither do I believe in the Government fixing maximum or minimum rates of freight by land or water?

Senator MILLER. Then, suppose the Government has not fixed either maximum or minimum rates for a railroad, but that it has said to the railroad "You shall publish your rates and shall only change them on five days' notice." Do you think it should apply that same rule to every private individual who runs a sloop or steamboat on the Mississippi River or on the Atlantic coast engaged in the coastwise trade.

Mr. MINK. I think it should apply to interstate commerce by water as well as land.

Senator MILLER. You do not recognize any difference between a particular waterway which the Government has built up by the money of the people and a railroad which is built by persons for their own profit?

Mr. MINK. Not when you come to the publishing of rates.

#### NEW YORK JEWELERS' BOARD OF TRADE.

The CHAIRMAN. There is present a committee of the New York Jewelers' Board of Trade, who were not able to appear before us when we were in New York, and as they have come here especially to be heard and their statements will be brief, we shall hear them now before hearing other gentlemen of Philadelphia.

## HENRY HAYES'S STATEMENT.

HENRY HAYES (president of the New York Jewelers' Board of Trade) appeared and said:

We appreciate that our business is a very small business in the merchandise of this country. We represent the interests of manufacturing jewelry and wholesale jewelry and watches, and our trade thought that there were one or two grievances we might lay before you, not knowing exactly that they were worthy of being brought before you. I will say that an older member of the trade is present, and he asked me to state the case briefly.

## TRANSPORTATION OF JEWELRY TRUNKS.

One feature that I will take the liberty of laying before you is the subject of the transportation of our trunks. You may be aware that in our business we send our agents out with stocks of goods in trunks, which they deliver to the merchants. We do not sell from sample as a rule. Those trunks are valuable. In passing over some of the Western roads, particularly, they say at once, "Have you jewelry in that trunk?" The agent, of course, says, "Yes." "We decline to check that trunk." "How shall I transport it?" "You must take it to the express company." He goes to the express company and asks, "Is there a train going to the next town?" And he is told, "Not until this afternoon." He puts the trunk on the express train and gets to the next town, having lost a day. In the case of one of our travelers he lost a day and three-quarters by such a delay in doing three hours' travel, his salary going on.

Some of the railroads say, "We do not want you on our roads; we do not care to transport you; your goods are too valuable." Our feeling is that while the railroads have their rights, we presume that they are compelled to carry the baggage of passengers. We also understand, generally speaking, that they are responsible for the value of a wardrobe in a trunk. We have gone so far as to say to the railroads, "We shall be willing to release you from any further responsibility than you assume in the case of ordinary trunks having a wardrobe." One or two companies say they will not permit us to travel unless we sign a bond, with ample security, that we shall indemnify them against all loss that may occur in any way whatever by theft, by the act of their own employés, or by anybody in possession of the trunk. We merely have said to them, "If you will give us the protection you afford to ordinary baggage, that is, \$100 to \$500, we will then release you and have an organization for the purpose of indemnifying you in full against any such loss."

If this is within the province of your committee, we take the liberty of calling your attention to it. That is one feature I am authorized to speak to the committee upon.

The CHAIRMAN. It is probably a little questionable whether Congress can go into the matter of determining whether a railroad corporation should carry, under any particular kind of contract, any particular quality or species of goods. The only thing that Congress is presumed to do is to regulate commerce among the States, and to pass such laws for that purpose as will be general and apply to everything, without specifying any particular sort of trade; but we are very glad to hear you make the suggestion of a grievance that you feel you have against rail-

road corporations. We are trying to see whether there are grievances or not, and if they are such as Congress can fairly, under the Constitution, legislate about.

Mr. HAYES. I endeavored to state that there were certain rights we should like to have maintained in favor of our trunks that are granted to other trunks. That is all.

I take the liberty of introducing Mr. Carter, who is the head of one of the oldest and most extensive manufacturing establishments in our business.

#### AARON CARTER'S STATEMENT.

AARON CARTER (a manufacturing jeweler of Newark and New York) appeared and said:

##### LICENSE FEES ON TRAVELING SALESMEN.

Mr. Chairman, the other particular grievance which we wish to present to the committee is that there is, as we think, unjust discrimination made against us and against all merchants in traveling South, particularly in the item of insisting upon large license fees to do business in certain States and cities of the South.

The CHAIRMAN. You mean license fees on strangers doing business with the people down there?

Mr. CARTER. States and cities charge special licenses, discriminating against us and against all merchants living in different States where these laws are enforced. For instance, in Washington, D. C., in Richmond, Va., and in North and South Carolina, particularly, discriminations are made against us, treating us worse than peddlers. We are willing to pay a proper license, but we feel that the rates they put upon us are unjust and a discrimination against us.

The CHAIRMAN. You are a wholesale dealer in jewelry?

Mr. CARTER. Yes, sir.

The CHAIRMAN. You, of course, ship goods to Chicago?

Mr. CARTER. Yes, sir.

The CHAIRMAN. Do you have to pay any license to sell them there?

Mr. CARTER. I think not in Chicago.

The CHAIRMAN. Do you anywhere in Illinois?

Mr. CARTER. I think not. Our method of doing business is not to send out samples, as has been remarked by Mr. Hayes, with travelers, but stocks of goods, leaving them where they are sold.

The CHAIRMAN. Leaving the very articles your agent carries out in the trunks?

Mr. CARTER. Yes, sir.

##### JEWELRY TRUNKS.

The CHAIRMAN. Have you any complaint against the railroad companies or transportation companies of the country themselves, as to their treatment?

Mr. CARTER. No, sir; except as stated by Mr. Hayes. This is another feature.

The CHAIRMAN. So far as the transportation companies are concerned, you only have to complain that they refuse to carry your trunks of jewelry without a special contract in which they are guaranteed against loss or relieved from any liability?

Mr. CARTER. Yes, sir; but with regard to the license, we feel that it

is contrary to the Constitution and the decisions of the Supreme Court, and yet these laws are kept up. That is the main point of our complaint.

The CHAIRMAN. Do you think yourself, on the point made by the gentleman preceding you, a transportation company ought to carry a trunk full of jewelry worth thousands of dollars just as any baggage that any ordinary traveler carries with him?

Mr. CARTER. I think they are entitled to a little more, and, so far as we are concerned, and I think so far as most of our travelers are concerned, we are willing to give it.

The CHAIRMAN. A merchant, for instance, in Philadelphia, ships dry-goods by express or as freight and pays the freight or expressage upon them. The only reason you have any difficulty is because you do not do that, but seek to carry your goods along with you as baggage.

Mr. CARTER. Yes, sir; our parcels are so small that they do not go as freight, but as express matter. I have nothing further to remark.

### FRANCIS B. REEVES'S STATEMENT.

FRANCIS B. REEVES (a wholesale grocer of Philadelphia) appeared.

The CHAIRMAN. We should like to hear what you have to say on the general question: First, have you any complaint to make against the transportation companies of the country; and, if so, have you any definite idea of what remedies the Government of the United States should apply to the evils that may exist, if any?

### DISCRIMINATIONS IN RATES.

Mr. REEVES. I have no special complaint to make. I did not come here with any grievance to report, but I would say that there are unjust discriminations made by transportation companies. The knowledge of them has come to me from time to time. We have experienced in our business more or less inconvenience and loss on account of them; but, as compared with the aggregate of our business, they are comparatively small, and not more than we should expect would arise naturally by reason of the magnitude of the subject, and the very great difficulty and complication attending the fixing of rates, growing out of competition in the carrying trade. As an exception to the generally excellent treatment received at the hands of the transportation companies, I would say that sugars sometimes are transported, as I have been informed, from Boston to Pittsburgh, through Philadelphia, at precisely the same rate of freight that we pay in Philadelphia for the transportation of the same sugars from Boston.

The CHAIRMAN. Do you think that is right?

Mr. REEVES. I would call that a question of unjust discrimination as between places.

The CHAIRMAN. What is the distance between here and Pittsburgh?

Mr. REEVES. I understand it is about 355 miles.

The CHAIRMAN. You say you have known of instances where goods have been shipped from Boston through Philadelphia to Pittsburgh, and the same charge made as if they were brought here only?

Mr. REEVES. I have been so informed. My source of information was our traveling salesmen, who, going near Pittsburgh to sell our goods, find an impediment in that respect. They find, and so report to me, that the Pittsburgh people sell sugars at the same price that we sell them,

because they pay the same rate of freight from Boston and from New York. I do not know that of my own positive knowledge; I have never seen the freight bill of a Pittsburgh man.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. Suppose that is true——

Mr. REEVES. It may not be true.

The CHAIRMAN. On the supposition that it is true, it applies to what is purely inter-State commerce business running through two or three States. Do you or not think that Congress should interfere and pass a law prohibiting the payment of more, or as much, for a short as for a long haul? There is a distance of 350 miles between your two cities; you are that much nearer Boston than is Pittsburgh, if the freight has to go this way. Do you think that anything ought to be done by Congress to cure that evil, if it exists?

Mr. REEVES. I am not prepared to say that I would favor legislation by Congress upon the terms implied by your question. You speak of a short or a long haul. Where the disparity is so very great as to be palpable, as in the instance I have named, I would say that is certainly a fit subject for Congressional interference; but I not prepared to advocate Congressional legislation covering the question in that general way. I believe there are instances where railroad companies may carry goods a longer distance at really a less price than for a shorter distance over the same road. For example, it might be that carrying goods from Boston to Philadelphia they would be obliged to go through New York. It might be, possibly, as well for the railroad company, and as favorable for them, to charge the same rate for the greater distance to Philadelphia as to New York. It is probable that if the cities were reversed, and New York were at this end and Philadelphia where New York is, I should certainly say they could carry the goods at a less rate to this point, geographically, than to the other, because the cars might have to go back empty in the one case and would go back full in the other. It might be that their terminal facilities were much better at the farther point than at the nearer point, and that they could handle the cars and freight at a cheaper rate. All these questions are to be considered.

I would not be in favor of tying any transportation company down to certain inflexible, immovable rates upon the distance question. I do not think it would be fair.

The CHAIRMAN. You would fear doing an injustice to the interests of the people by such legislation?

Mr. REEVES. To the people and the railroad companies. I do not think there is anything to be feared by the people in the mere matter of discrimination upon the distance question or upon the tonnage question. I believe that lower rates may be made properly for greater quantities than for lesser quantities.

#### CONCESSIONS TO LARGE SHIPPERS.

The CHAIRMAN. You are of the opinion, then, that it would be right for a transportation company to charge more per car to the man who had one car-load to transport than to the man who had fifty or more?

Mr. REEVES. I think so. We practice it in our business. I do not think there is a business in existence that does not go on that principle. You buy goods cheaper at wholesale than at retail. We are always

willing to sell fifty bags of coffee at a slightly less rate than we would sell a bag. If that is an unjust discrimination against the small buyer, we are all dealing unjustly continually.

The CHAIRMAN. You are a private citizen doing a private business, but a railroad corporation or transportation company is a public corporation doing business in a sense for the State or the country, whichever government it is that allows it to come into existence legally under the laws of the State or the nation. Do you not recognize any difference between the public corporation and the private citizen doing business?

Mr. REEVES. No, sir; not in any question of justice or injustice, morality or immorality. I will apply the same rule to them all.

The CHAIRMAN. So that if you have the right, as you doubtless have, to charge the man a little fraction higher who buys a single bag of coffee than the man who buys fifty bags, you think a railroad company should have the right to charge the man who has one car a little more per car than the man who has a larger number?

Mr. REEVES. I do most certainly, on the principle that they can afford to do it.

The CHAIRMAN. And there is no principle involved in that which would justify Congress in interfering with it, in your opinion?

Mr. REEVES. No principle whatever. I would only favor Congressional legislation, national action, in regard to preventing unjust discriminations and combinations, and I would apply them alike to the railroad companies and the community at large.

#### POOLING ARRANGEMENTS.

The CHAIRMAN. What do you mean by unjust discriminations and combinations?

Mr. REEVES. I mean a combination, for example, between the railroad companies to maintain pooling arrangements. I do not think they are right. I believe in free, open competition. There the comparison as between the railroad company and the individual citizen comes in. I think that combinations may be unlawfully carried on, to the great injury of the people at large, between citizens and transportation companies.

The CHAIRMAN. Do you not believe you have a right to unite with half a dozen of your brother merchants engaged in the same business, and say, "We will not sell sugar for less than a certain price"?

Mr. REEVES. That right I think should be restricted.

The CHAIRMAN. By law?

Mr. REEVES. If it is possible to restrict it. It is a very intricate question, and one that would require a great deal more thought and care to frame such a law than I could give at this moment; but I believe in the principle.

The CHAIRMAN. As a matter of fact, do not merchants make such arrangements sometimes?

Mr. REEVES. As a matter of fact, I have never entered into any arrangement of that kind. I believe it is very frequently done.

The CHAIRMAN. But you do not think that half a dozen trunk lines, for instance, running from west to east or from east to west, should have a right to make a bargain by which they say no one of these roads shall charge more from Chicago to New York or from Chicago to Philadelphia than a given sum or less than a given sum per ton?

Mr. REEVES. That would get us into dangerous ground, I presume.



It would open up the whole question of fixing rates, which I think is beyond the province of the Government. If it would involve the necessity of that, and it would seem to me that it would——

## GOVERNMENTAL REGULATION.

The CHAIRMAN. Do not misunderstand me or any member of the committee. When we put these questions we are trying to learn what you think about them, and not expressing any opinion of our own as to what ought to be done.

Mr. REEVES. I understand that fully. It is a very intricate question, and I should approach it very carefully, for I am opposed emphatically to the idea of the Government controlling the railroads of the country. I do not think it is possible or practicable.

The CHAIRMAN. Do you or not think that any legislation ought to be had by the Government in reference to inter-State commerce?

Mr. REEVES. I would not say that. I think legislation on the part of the Government in regard to inter-State commerce would be in order.

The CHAIRMAN. What ought it to be?

Mr. REEVES. I think that the right of citizens of one State to trade on equal terms with the citizens of another State ought to be guaranteed and protected.

Senator MILLER. Is not that the case now?

Mr. REEVES. Allusion has been made by one gentleman here to the licenses charged in some States against citizens of another State. They have to pay a license in Maryland of \$150 per annum for each salesman. It is not so in other States. Other States are free and open. That license is a duty or tax levied on the commercial people of Pennsylvania and other States by that one State.

The CHAIRMAN. What do you think about the question of the publicity of rates of freight? Do you think that ought to be required or not?

Mr. REEVES. I think it would amount to nothing.

The CHAIRMAN. I suppose, then, it may be fairly said that you do not believe in national legislation on the subject so far as regulating transportation is concerned. Is that your position?

Mr. REEVES. I am not prepared to say that I can see any way whatever at present in which the Government can take hold of the question of fixing rates of transportation.

## WHAT IS UNJUST DISCRIMINATION.

Senator MILLER. I understood you to complain that the shipping by transportation companies from Boston to Pittsburgh at the same rate as from Boston to Philadelphia was an unjust discrimination which ought to be prevented.

Mr. REEVES. I think it ought to be prevented. That is a clear case of unjust discrimination.

Senator MILLER. Still, you said, in answer to a question by the chairman, that you justified a discrimination between two shippers from Philadelphia to Pittsburgh, we will say, shipping the same class of goods, but one shipping a larger number of car-loads than the other; you thought the railroad company ought to be permitted to charge less per car on the larger number to the one shipper than on the smaller number to the other. You do not consider that an unjust discrimination?

Mr. REEVES. I do not.

Senator MILLER. That should be left to competition?

Mr. REEVES. Yes, sir.

Senator MILLER. Why, then, not permit the transportation company to charge the same rate from Boston to Pittsburgh as from Boston to Philadelphia, if it is a mere matter of favoritism between shippers? Or we will suppose that the sugar merchant in Boston offers the company fifty hogsheads to transport to Pittsburgh, and the sugar merchant in Philadelphia only offers one hogshead; would there be any unjust discrimination in charging the same rate from Philadelphia as from Boston in that case?

Mr. REEVES. Do I understand you to say the Boston shipper gives the transportation company a much larger quantity than the shipper from Philadelphia?

Senator MILLER. Yes.

Mr. REEVES. There would be two questions which would come in there, the question of distance and the question of quantity. I think they generally regulate the question of quantity properly. At present we have no grievance there.

Senator MILLER. I am supposing that the question occurred just as I stated it—that the sugar refiner in Boston should offer the transportation company a large amount of sugar, and the sugar merchant in Philadelphia should offer only a small amount comparatively to go to the same point, say Pittsburgh.

Mr. REEVES. As I said before, there are two questions coming in there, each one to be decided on its own merits exclusively. I can hardly combine them and give you an answer as to which ought to be in that case the lower rate; but I would say, on an equal number from a given point two shippers should have the same rate. I would call unjust discrimination giving John Smith from one point to another one rate of freight, and John Brown a different rate of freight upon the same quantity to the same point under the same conditions. That is favoritism.

Senator MILLER. The railroad companies charge the same passenger rate whether you have ten in your family traveling or only one, do they not?

Mr. REEVES. They do.

Senator MILLER. Is not that unjust discrimination as against the one in favor of the ten?

Mr. REEVES. I think not.

Senator MILLER. Why not?

Mr. REEVES. I think the passenger business is upon an entirely different plan. They regulate the passenger rate upon the doctrine of averages, I presume. I am not a railroad man, and it is only a suggestion in my own mind. They can presume, by the rule of averages, that so many people will fill so many cars between two given points pretty steadily through the year, and they make preparations accordingly, and if ten people do not come from one family they will come probably from three or four families, and they can afford, therefore, to fix a uniform rate. Furthermore, it is to their interest that that rate should be uniform.

Senator MILLER. Does not the same law of general averages hold as to freight? Take any great railroad of our country, and, one year with another, its officers know within a very few thousand tons how much they are to transport in a year and how many miles they are to transport it, and if they do not get fifty car-loads from one man they may get fifty car-loads from fifty men. I do not see any difference in principle.

Mr. REEVES. There are fifty times as many manifests to be made out in the one case as in the other, fifty times as much clerical work required in handling the goods, and probably they might be loaded in twenty or thirty different places.

Senator MILLER. We were speaking of the unit, the car-load?

Mr. REEVES. If the goods all come from one shipper, they are loaded at one time and the cars sealed up and sent off to their destination.

Senator MILLER. You think, then, a public corporation chartered by Government, given the right of eminent domain to go through our land and take our property, going just where it pleases, should be permitted to make distinctions between the citizens of that same Government and charge one citizen one rate and another citizen another rate? Do you think that is just and proper?

Mr. REEVES. I think that is unjust, because your question implies that it is upon the same conditions precisely. I say that is unjust.

Senator MILLER. My question does not imply anything except what is in it.

Mr. REEVES. I should consider that an unjust discrimination.

Senator MILLER. If the Government permits that to be done, of course it gives the full force and power of the Government for the building up of the strong man as against the weak, the man who is able to ship a large amount of goods and has capital to move them as against the other man who is only able to ship a car-load.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. Let me see whether I understand just what you believe in, Mr. Reeves. You do not believe that there should be any legislation on the subject of long and short hauls except in cases where there is a very wide difference in distance between points, as I understood you a while ago, as in the case of the distance between Philadelphia and Pittsburgh from Boston?

Mr. REEVES. That is my position precisely.

The CHAIRMAN. So that it would be very difficult to frame a law on the subject of the long and short haul question at all, under your view of the subject, as I gather it from what you have said; because if we undertake to fix the exact distance between points where the Government will interfere, the men living between those distances would say, "We have as good right as anybody else to have this thing regulated for our benefit"—for instance, between here and Pittsburgh. If the Government should not interfere except in cases where there were 350 miles difference in distance, Harrisburg would say that would be very wrong, because they are not that far, but still they are 200 miles, say, or whatever distance it may be, nearer Boston than Pittsburgh is, and the Government ought to interfere in their favor as well. So that, unless we pass some general law that says, for instance, that a transportation company shall not charge more for a short than a long haul, it would be difficult to reach the subject at all by legislation.

Mr. REEVES. Yes, I should be opposed to such legislation as that. I should think it would not be for the benefit of the commercial community.

#### DRAWBACKS AND REBATES.

The CHAIRMAN. You do not believe, I think you said, that there ought to be any legislation on the subject of drawbacks and rebates?

Mr. REEVES. That question was not asked me.

The CHAIRMAN. What do you say about that?

Mr. REEVES. That comes under the remark I made that I am in favor of legislative interference with all unjust discriminations, and if a rebate is allowed to one and not to another under similar conditions, that would most certainly come under the head of unjust discrimination.

The CHAIRMAN. And it ought to be prohibited by law?

Mr. REEVES. It ought to be prohibited by law.

The CHAIRMAN. And in the case of inter-State commerce it can only be done by Congress?

Mr. REEVES. Certainly.

The CHAIRMAN. You are in favor of that legislation?

Mr. REEVES. I am for going to that point, but I am not for enacting any law that will prevent a railroad company from discriminating as between a long and short haul in general terms, because there must of necessity be certain conditions where a railroad company can transport merchandise a longer distance at really a less cost to it than a shorter distance.

#### A NATIONAL COMMISSION.

The CHAIRMAN. What would you think about legislation of this character by Congress: providing a commission with general powers to supervise the conduct of transportation companies, without any very minute detail of legislation in reference to particular things, but leaving it to the commission to investigate and report to Congress, and, in addition to that, report to the local law officers of the section of country in which the complaint might arise?

Mr. REEVES. I think that would be a most excellent thing.

The CHAIRMAN. You would be in favor of legislation to that extent?

Mr. REEVES. That far. That would put us in the way, I think, of securing valuable information, and probably pave the way in the future to something in the form of legislation that would do us good.

The CHAIRMAN. In Massachusetts, for instance, they have a railroad commission which is authorized to look into all complaints that are made to it, and make up its own determination as to what is right in the premises between the shipper and the railroad company, and announce it to the railroad company, or to the public, for that matter, and that determination, according to the testimony of the commission, is acquiesced in by the railroads of Massachusetts as final, and they abide by the decision. Do you think that would be of any use in a national board?

Mr. REEVES. I think it would.

#### THE LONG AND SHORT HAUL.

Senator GORMAN. On the question of the long and short haul have you not established the principle in this State, by legislation or by amendment to the constitution, that no more shall be charged for a short haul than for a longer haul? Is not that the law of your State to-day?

Mr. REEVES. I do not know that it is.

Senator GORMAN. Is not that right in your State—take the 355 miles from here to Pittsburgh?

Mr. REEVES. It applies to points within the State. It is outside of the question of inter-State commerce.

Senator GORMAN. I understand; but is that right? As a citizen of Pennsylvania, do you consider that right?

Mr. REEVES. I should think not. I think it is too general in its terms. There is right in it, but I think it might operate to the disadvantage

both of the transportation company and the citizen whom it is intended to benefit.

Senator GORMAN. Is it not a fact that while that provision does not practically apply to the Pennsylvania Railroad Company, yet in point of fact they adopt it as a matter of good judgment or good policy to the business interests of the State?

Mr. REEVES. I believe that they have done so. I believe, as a rule, that is their policy between all points within the State.

Senator GORMAN. If it is right to apply that rule to all the railroads in the State that can be affected by the State legislation, and the Pennsylvania Railroad Company, which is one of the great trunk lines of the country, has adopted it as a good business principle, would it not be right to extend it so as to give citizens of other States who are simply passing through Pennsylvania exactly the same right?

Mr. REEVES. I do not think it should be made inflexible and applicable to all points, but wherever it is practicable to do it I think it should be done; that is, not making it compulsory by legislation. As I said, I do not think it is in the interest of the citizens generally to make that an unyielding and invariable rule.

Senator GORMAN. But you do it so far as the State is concerned—within the State?

Mr. REEVES. I would not apply it either within the State or without the State invariably. As a general rule it works well, but there are exceptions to it.

Senator GORMAN. The exceptions are inconsiderable, I suppose?

Mr. REEVES. They are inconsiderable. As I said at the outset, we have had very few grievances. We have had a few.

Senator GORMAN. If it is a good rule for the 355 miles between here and Pittsburgh, and if the principle is right and it operates to advance the interests of the investor and the railroad as well as of the citizen of the State, what objection have you to Congress applying exactly the same rule to the citizens of Maryland, Ohio, and New York passing through your State?

Mr. REEVES. I would have no objection to Congress applying any rule to the railroads as between the several States that I would be in favor of within any one State; but I am not in favor of indiscriminate and general regulation by any State or by the National Government upon the question of distance or of quantity of tonnage in the transportation of freight. I think it would lead to inextricable difficulty. It would be a sort of supervision over the transportation companies that I think would not be in the interest of cheap transportation; it would take away very much of that competition which now enables us to get very cheap rates at times to very important points.

The CHAIRMAN. Are not your rates very fluctuating now, up and down?

Mr. REEVES. No, sir; they are comparatively steady. I think that any legislation has a tendency to restrict competition; and it is only the unjust combination and the unjust discrimination, if we can get at them, that I would think proper subjects for either State or national legislation. As I said, the charging of two different shippers a different rate under precisely the same conditions I would forbid by law. I would make it illegal and attach a penalty for the violation of that law. The transportation of a given quantity between two given points should be at the same rate to all shippers. That, of course, implies that rebates and drawbacks should be prohibited by law. That is practically a reduction in the rate of freight.

## WILSON WELSH'S STATEMENT.

WILSON WELSH (a miller of Philadelphia) appeared.

The CHAIRMAN. We are anxious to find out whether there are any complaints against the transportation companies of the country, and just what they are, and then, if you have any suggestions to make as to how they should be remedied, we shall be glad to hear them.

## EVILS OF PRESENT SYSTEM.

Mr. WELSH. The questions of inter-State commerce and of railroad competition, and so on, have been discussed a good deal in Philadelphia and in our State during the past winter. We think that there are very great evils which should be remedied, but as to the best method of accomplishing that end, of course, there is a great variety of opinion. I think, individually—I speak only for myself—that one of the main causes of complaint, or the basis of complaint, is in the management of companies in the construction of railroads. I think, so far as the business people are concerned, the interests of the railroads and the interests of the business public are identical and mutual, and that when they conflict it is because of corruption often in railroad management, collusion on the part of officials and those who may get special rates or benefits. I think some law which would prevent directors or officials in railroads from being interested, directly or indirectly, in the construction of railroads, in the first place, and then in their management, would strike at the root of many of the evils that now exist.

The CHAIRMAN. A railroad man ought to be interested in the management of his road.

Mr. WELSH. I mean he should not be interested in any of the business that is going over his road, or in mining or manufacturing along the line of the road. That is what I mean; he should not be concerned in outside matters.

The CHAIRMAN. Have you any knowledge of instances where railroad managers are interested in commercial business along the line of their road or in the transportation of freights that go over it?

Mr. WELSH. We have reason to believe that there are many such instances that exist, not only in our own State, but throughout the whole country, where men prominent and active in the management of railroads also engage in and are interested in business that is carried over their roads, and very often have discriminations in their favor; at least, that is the general impression and that is the general feeling, and we are justified in making these deductions from what we see in the career of particular business houses.

The CHAIRMAN. In your own city here?

Mr. WELSH. In our own city and State.

The CHAIRMAN. Which amounts to unjust discrimination in favor of the railroad officer or director, or whatever he may be, as against other men engaged in the same business outside of the railroad?

Mr. WELSH. Yes, sir.

Senator MILLER. Do you think it would be wise to prevent by law a director of a railroad being engaged in manufacturing, commerce, or farming, or having any products to ship over the road?

Mr. WELSH. I think we should have a law that would prevent a director or officer in a railroad from being interested in business that is connected with the railroad in which he is interested or of which he is an official.

Senator MILLER. He could not be interested, then, in any commercial business which had freight to ship over the line?

Mr. WELSH. The objection is, of course, as to preferences and discriminations.

Senator MILLER. Would it be wise to take all that amount of capital which might be owned by railroad directors and prevent it from being used in developing the resources of the country? Would it not be better to have a law preventing unjust discriminations between shippers, without regard to whom they were, whether directors or owners of stock or not?

Mr. WELSH. That would cover the objection in most cases.

Senator MILLER. If a railroad company charged the same rates to all its shippers on different classes of goods, it would not matter to one shipper whether another shipper was a railroad director or not if they both got the same rate?

Mr. WELSH. Certainly not.

Senator MILLER. Your point, then, is against unjust discrimination between individual shippers, rather than as to the character of the shipper himself?

Mr. WELSH. Yes, sir; the point to which I allude is the reason we have to believe that there are such preferences given to parties occupying positions of that sort.

Senator MILLER. And you think that ought to be prevented?

Mr. WELSH. Yes.

#### DISCRIMINATION IN RATES.

Senator MILLER. You are engaged in milling here. Do you bring wheat from the West—from Chicago and beyond?

Mr. WELSH. Yes, we frequently do that. We bring wheat from western points—from Chicago, &c.

Senator MILLER. What has been your experience in that? Do you always get the lowest rate of freight that is going, or do you have reason to believe other people are favored and get lower rates at any time?

Mr. WELSH. I do not think there is any question in the mind of any active business man in Philadelphia that discriminations are made in the transportation of grain from the West to Philadelphia.

Senator MILLER. Describe some of those discriminations and how they are made, whether they are made simply to favorites of the officials of the road.

Mr. WELSH. I will give you one or two illustrations. Last fall we had houses here that were paying 2 or 3 cents per bushel more for grain brought to Philadelphia than other houses of equal credit and standing could pay.

The CHAIRMAN. Brought from the same region?

Mr. WELSH. From the same locality. Those are what we call practical illustrations of discrimination.

Senator MILLER. What was the effect of that on the trade?

Mr. WELSH. The effect was to throw that class of business into very few hands.

Senator MILLER. To shut out competition, of course?

Mr. WELSH. It shut out all competition.

Senator MILLER. Did that kind of discrimination continue long, or is it the rule to-day?

Mr. WELSH. I do not think it exists to the same extent at the pres-

ent time, because the present rates from the West are unprecedentedly low, owing to the breaking up of the pool and the competition amongst the railroads themselves.

Senator MILLER. What do you suppose was the cause of this discrimination; what led to it? What object had the railroads in giving a few houses in Philadelphia rates of freight which would enable them to control the grain-carrying by paying more for the grain? The railroad did not get as much for carrying it as they did before they made the discrimination. What was probably the cause of this?

Mr. WELSH. We can only make one deduction—that the particular houses were the favorites of the railroads. We have no evidence of that fact, but if we find one or two houses bidding more for wheat or grain of any kind at a western point than prices at the seaboard will warrant, taking the regular freight schedule as a basis, we have but one inference—either that party is doing business at a loss or he is getting drawbacks; that he is being discriminated in favor of.

Senator MILLER. What I was trying to get at was whether there was any known reason why railroad officials should favor one house over another, whether it was a mere matter of personal friendship or whether it was supposed that some of the leading railroad officials were interested in the business themselves. People act from motives.

Mr. WELSH. Of course; but it would hardly be fair for me to express an opinion on that point. I may have an opinion, but I might do injustice to parties by an expression of it.

Senator MILLER. You have no knowledge, then, as to what are the reasons which lead the railroads to give these discriminations between merchants in Philadelphia?

Mr. WELSH. No, sir. I simply have knowledge of the fact that they exist.

Senator GORMAN. Do you want us to prohibit that discrimination?

Mr. WELSH. Yes, sir. I think such discrimination as that should be prohibited.

Senator GORMAN. What is the best way to do it?

Senator MILLER. Before that is gone into I wish to ask this: In the case of which you speak, may it not have been possible that the houses which paid the larger price for grain guaranteed to the railroad a very large amount of freight, much larger than other houses were usually handling, and thus secured a drawback or rebate because of the large quantity?

Mr. WELSH. I have no doubt that may have been true to a certain extent, but not entirely so.

Senator MILLER. Do you think that that would be a sound and just reason for a railroad making a rebate?

Mr. WELSH. I do not think so. I have looked on railroads as common carriers.

Senator MILLER. You have heard several gentlemen this morning who made the argument that a railroad ought to be permitted to make a lower rate for large quantities than for small quantities, even when you take the car-load as the unit?

Mr. WELSH. Yes, I have heard that opinion expressed, but I do not coincide with it.

Senator MILLER. If that was the reason for the railroad giving the lower rate to your competitors, what would have been the result if that should be continued for months or for years or more?

Mr. WELSH. The result would be to concentrate that business in the hands of the particular houses who had the preference.



Senator MILLER. It would drive all the small buyers and shippers out of business and create a monopoly finally?

Mr. WELSH. Yes, sir; and that has been the result, I may say, so far as our own city is concerned. As compared with the past, our business has been concentrated in a very few hands, as the result of that.

Senator MILLER. Has that been a benefit or an injury to the city?

Mr. WELSH. We think it has been a decided injury.

Senator MILLER. You think the railroad, as a common carrier, should carry freights at the same rate for all people, fixing the unit of carriage at the car-load or at any other point?

Mr. WELSH. I think so, with this addition, that where the carrying of one car, for instance, as compared with twenty-five or thirty, involves additional terminal charges, it would be but right and proper to allow the railroad to make those charges; but so far as the transportation is concerned, I think the principle you have stated should be enforced.

Senator MILLER. If there are any differences, it should be only upon the question of terminal charges between shippers, and not upon the haul over the length of the road?

Mr. WELSH. Exactly.

Senator MILLER. Could the difference in terminal charges between shippers, one having a car-load and another more than a car-load, be any very considerable sum to the railroads?

Mr. WELSH. I think not, because even blocks of cars, unless they are intended for export, are usually distributed at the point at which they arrive.

Senator MILLER. How is the grain coming here in cars handled, how is it unloaded—by the railroad or by the receiver?

Mr. WELSH. It is delivered in cars to our export elevators or to elevators that we have in different parts of the city for local distribution.

Senator MILLER. It does not matter, then, to the railroad, in unloading fifty cars to-day, whether the fifty car-loads belong to two individuals or whether they belong to fifty individuals; it does not take any longer to unload two car-loads belonging to two different individuals than to unload two car-loads belonging to one individual, when all are put into one elevator in one general mass?

Mr. WELSH. Not so far as delivery to any one particular point is concerned; but where, for instance, twenty or twenty-five cars come through and go right to the elevator and are unloaded all at once, it is different from a dozen shipments being made up into a train and having to be distributed at different points in the city. There is where the difference in terminal charges would come in.

Senator MILLER. What do you mean by being distributed at different points?

Mr. WELSH. I will suppose, for instance, that we have a train of twenty cars consigned to one party and intended for one point. The railroad takes them direct to that point. Another train comes in then made up of twenty different shipments, and one man wants his car at one point of the city and another at another. In that case that train has to be broken up and distributed as required.

Senator MILLER. Does your railroad have branch tracks running all over the city, so that you can deliver single cars to single individuals in various parts of the city?

Mr. WELSH. Yes, sir; not to different single individuals, but to different parts of our city where we have storage facilities.

Senator MILLER. Then, what is the difficulty, if there is any, of a railroad having a regular rate to all its customers for grain coming from

Chicago here, and then charging a fair and just terminal charge to every individual as it happens to haul a car about the city to one warehouse or another, which can be separated from the general charge?

Mr. WELSH. None whatever.

Senator MILLER. Then there should not be any difference in the rate from Chicago here?

Mr. WELSH. As far as the transportation charge is concerned, I should say not.

Senator GORMAN. How would you regulate it?

Mr. WELSH. I should be in favor of some Congressional legislation that would accomplish the purpose. We have been trying in Pennsylvania to get State legislation, but we have so far been unable to do it.

#### PENNSYLVANIA'S CONSTITUTIONAL PROVISIONS.

Senator GORMAN. Have you no State legislation on the subject?

Mr. WELSH. We have none covering the question of discrimination. We have constitutional provisions, but they have never been enforced by proper legislation.

Senator GORMAN. Do the railroads observe the provisions of the constitution?

Mr. WELSH. They do not.

The CHAIRMAN. Are they a dead letter?

Mr. WELSH. They are a dead-letter. We have in this State what we call the new constitution, but most of our railroads were chartered before that, and they are not amenable to the new constitution; at least they are not so considered, I believe.

The CHAIRMAN. The provisions of the constitution cannot enforce themselves?

Mr. WELSH. No; they have got to be enforced by proper legislation.

Senator GORMAN. As a matter of fact, the Pennsylvania Railroad Company did adopt it as a rule themselves, did they not?

Mr. WELSH. They agreed to do so, I think, in some provisions of their charter, but I think you will get all the evidence you want here in the city that they do not carry out that agreement.

#### PREVENTION OF UNJUST DISCRIMINATIONS.

The CHAIRMAN. You can restate your complaints, so that the committee will understand exactly what they are.

Mr. WELSH. I have tried to state that I thought there should be some legislation which would control our railroads.

The CHAIRMAN. To prohibit unjust discrimination?

Mr. WELSH. Prohibit unjust discrimination.

The CHAIRMAN. Between persons?

Mr. WELSH. Yes; in the several States.

The CHAIRMAN. Would you prevent by law unjust discrimination between places?

Mr. WELSH. What do I understand you to mean by "places"?

The CHAIRMAN. For instance, here is a point along the line of the Pennsylvania Central Railroad where another road comes in, which makes it a competitive point. There is another station ten or twenty miles away from it where there is not any other railroad but the Pennsylvania Central, at which people live and do business, and it frequently occurs that the railroad charges less from the competitive point than it does from the non-competitive point. Ought there to be anything done to prevent that?

Mr. WELSH. Yes, I think so, where that discrimination is unreasonable. I think, as you have already suggested, that the best way to remedy that difficulty would be a commission, either a national commission or a State commission such as they have in Massachusetts. Where grievances of that sort exist, the railroad, I think, can be cited before a commission, both parties can be heard in public, and reasons given for and against. A commission I, think, has the power to determine what is a reasonable charge.

#### DRAWBACKS AND REBATES.

The CHAIRMAN. Do you think there ought to be legislation to prohibit drawbacks and rebates in terms?

Mr. WELSH. Yes; I think rates should be public and uniform, and if you had that there would be no occasion for drawbacks or rebates.

The CHAIRMAN. That would result in doing away with drawbacks?

Mr. WELSH. Yes, sir.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. Do you think there ought to be any legislation touching the question of the long and short haul by transportation companies?

Mr. WELSH. I think the suggestion just made would perhaps cover that point. I would not be in favor of restricting unduly the railroad companies in the management of their business. I think whatever legislation is had upon the subject should be based upon what is due to the railroad companies, and should be in recognition of certain principles of equity, which a commission such as you gentlemen compose, I think, would be able to formulate.

#### LEGISLATION BY CONGRESS.

The CHAIRMAN. As you possibly remember, there were two lines of attempted legislation by the last Congress, one seeking to restrict the conduct of railroads by specific statute in relation to drawbacks and rebates and other things as to which complaint had been made that the railroads were doing wrong, and the other providing for a commission merely, and saying nothing about the pool system or drawbacks or the long and short haul. Which of those plans do you think would be the safer for the public interest and the business of the country?

Mr. WELSH. I am not sufficiently familiar with the details of those bills to express an opinion, but it seems to me that a bill which embraced a commission, and which adhered as much as possible to certain leading principles and avoided unnecessary details, would be the best.

#### WATER-ROUTES.

Senator GORMAN. What do you think of the policy of the Government continuing even on a larger scale the improvements of rivers and connecting the great bodies of water?

Mr. WELSH. I think that should be continued. I think that is very important to the development of the country, and also to prevent unfair discriminations on the part of the railroad companies. I think wherever it is practicable that should be adhered to and continued.

Senator GORMAN. Would you apply the same provisions of law in regard to freight charges on any lines which might be established on canals or rivers aided by the Government that you would on a railroad?

Mr. WELSH. If I adopted any legislation on that subject, I think it should be uniform and apply to all transportation companies.

Senator MILLER. Do you think it would be wise for the Government to undertake to regulate in any way, other than by the ordinary laws of common carriers, the transportation of our coastwise trade?

Mr. WELSH. No, I do not.

Senator MILLER. I understood you, in answer to Senator Gorman's question, to say you thought any regulation of the railroads should apply also to all the transportation by water-routes?

Mr. WELSH. I meant more particularly inland transportation. So far as discrimination against individuals is concerned, I think the law adopted should apply to all the transportation companies.

Senator MILLER. Our rivers, the Ohio, Mississippi, Hudson, and others, have been improved at great expense by the Government, the money coming out of the whole people. We have also spent a great many millions of dollars on our harbors, like New York, Baltimore, Philadelphia, Galveston, &c., and these water-ways are free to everybody; every American citizen who desires to do so can put his ship upon these waters and navigate them; there is absolute, open, free competition. Would it be wise for the Government to step in and prevent in any way this free competition, or attempt to regulate in any way the rates of charge that should be made by the various transportation lines running upon our water-routes?

Mr. WELSH. No, it would not. I think that could be safely left to competition itself, unless, as in some cases, combinations are made which regulate charges, and very often treat localities unjustly as the result of those combinations, even with those free water-ways.

Senator MILLER. Do not those evils soon cure themselves?

Mr. WELSH. I think so.

Senator MILLER. If a combination were to charge exorbitant rates from Philadelphia to Savannah by steamer, rates which should be excessively profitable, would it not be true that other citizens would come in and put on new lines at once and reap the benefit?

Mr. WELSH. I think that would result as a rule, although we have had some experience to the contrary here in Philadelphia in that respect.

Senator MILLER. Of course we all understand that all persons engaged in the carrying trade on the lakes, on our rivers, and in our coastwise commerce are subject to the common-law regulations which govern all common carriers.

Mr. WELSH. Yes.

Senator MILLER. The moment they undertake to carry goods for the public they become common carriers and are subject to the regulations which exist now in our laws and the laws which have been made by the Federal Government, as well as by the various States. But what I was getting at was whether you would think it wise that any new regulation which Congress may think proper to undertake as to our railroads should be applied absolutely to every steamship and every sailing vessel plying upon our waters?

Mr. WELSH. No, I think there is a marked difference in the franchise of the railroad as compared with that of the water-way, and I think

the latter might be safely left to competition and to the common law of public carriers.

The CHAIRMAN. Suppose there is a railroad built by a corporation running along the border of any water-way, and the railway transportation company is regulated by Congress in its inter-State traffic and the river is not; would the advantages that accrue by virtue of the river being free to anybody who puts a boat on it, not costing him anything, as the road-bed, for instance, costs the railroad company, be likely to work a great hardship to the railroad transportation company? Would it be unjust to the railway to regulate it in its charges and let the transportation company do as it pleased?

Mr. WELSH. No, I do not think that is a state of affairs that you could well legislate for; it is a case that might possibly occur; but I think we can safely leave the construction of railroads to those who are engaged in that line of business, so that they will take care to avoid such a state of affairs as you have suggested.

The CHAIRMAN. A company that builds a railroad on the border of a river ought to have its eyes open when it does it?

Mr. WELSH. Yes, I think so. I think they may be safely counted upon to take that into consideration.

Senator GORMAN. Why would you require a common carrier on land to make uniform rates and to publish those rates and not to change them without public notice of five or ten days, and not apply the same rule to a public carrier or common carrier on the water?

Mr. WELSH. One reason, at least, is that, as your chairman has stated, these water-ways have been improved by the General Government, are free to all citizens, and it takes less money to put a canal-boat or a sloop or a ship on the water, if the prospect of business warrant it, than it does to construct a railroad.

Senator GORMAN. How does the amount of investment change the principle in your judgment? You are free to build a railroad or as many as you please from here to Harrisburg; you are free to put a boat on the canal and river from here to Baltimore; therefore, you are on an exact equality, except that the road-bed in the one case is provided by nature and the Government allows it to be taken in the other. It is only a difference in the cost to the individual. How does that change the principle?

Mr. WELSH. I have already stated that I am not in favor of regulating charges on the railroads.

Senator GORMAN. My question does not go to the extent of regulating what the charges shall be; but if the law says that the charge shall be uniform to all shippers on a railroad, why not apply that to a common carrier on the water as well?

Mr. WELSH. I do apply it. The common law requires that, and the same is true of our railroads. Any business man knows that, the common law will protect him. The difficulty of the situation is that, as matters now stand, any business man who knows or believes he is discriminated against is compelled of himself to assume the expense of a lawsuit and go into court and prove his case; but so far as discriminations are concerned, the common law protects him now.

Senator GORMAN. Any provision, then, that Congress would make as to inter-State commerce should apply the same rule, as I have stated it, to a company having a line of boats from here to Charleston as to any railroad running from one State to another?

Mr. WELSH. Yes, I think the principle should be applied in both cases.

## FRANK J. FIRTH'S STATEMENT.

FRANK J. FIRTH (president of the Erie and Western Transportation Company) appeared.

The CHAIRMAN. Do you reside here?

Mr. FIRTH. In Philadelphia; yes, sir.

The CHAIRMAN. What is your business?

Mr. FIRTH. Inter-State transportation—rail, water, and canal.

## THE TRANSPORTATION QUESTION.

I have read with interest the current newspaper reports of several of the meetings that your committee have thus far held, and have been impressed with the important bearing that the modern division of labor has had in determining the scope of the views submitted for your consideration. The transporter or the merchant appearing before you speaks from the narrow field of observation within which this modern science of division of labor has confined him. The grain merchant of New York gives you a New York grain view of the transportation question, and if he happens to be engaged in the local or home business his views may differ widely, and properly, from those of his fellow grain merchant engaged in the export or foreign trade. Each class of traffic and each locality in which it is carried on has its own peculiar difficulties and troubles. It would be a grave error to give to the views of any individual appearing before you any broader application, either geographically or as to classes of traffic, than the facts clearly warrant.

A transporter engaged in through rail traffic is not competent to deal with the peculiarities of water carriage, nor is the water carrier entitled to recognition as an authority on rail questions. Still less is a mere theorist competent to formulate legislation on the complex and many-sided transportation question.

The appointment of your honorable committee to "investigate the questions involved in the regulation of inter-State commerce by Congress" is a recognition of the necessity for reliable information as to existing facts, without which it is not possible to intelligently suggest any proper legislation. This information can only be obtained through well-organized, persistent, and continued painstaking labor. The views and statements of each transporter and merchant should be submitted to general inspection and criticism before they can safely be entered upon any list of admitted facts.

## A NATIONAL COMMISSION.

I am of the opinion that there should be a national board of commissioners created, and that the duties assigned to this board should include the investigation of questions connected with inter-State commerce, the determining of admitted facts with reference to current transportation practices, the recommendation of the legislation that these facts seem to make necessary, and the serving as arbitrators to decide questions that may be voluntarily submitted.

This board should be presided over by an officer to be appointed by the President of the United States, with the approval of the Senate. The board should be composed of representatives from the several States. Notwithstanding the discouraging character of the work done by many of the present State boards of railroad commissioners, I am of the opinion that the State representatives in the national board should be the chairmen of the State boards. These chairmen should be familiar with

the transportation interests of their respective States, and this knowledge should be of value in the national board. Their access to the records of the State boards would also be of service. Each member of the national board should be entitled to a number of votes in the board that would have proper reference to the relative interest therein of the community he represents. This interest may be measured by miles of railway, or by capital invested in transportation, or the revenues derived therefrom. So much for the suggested composition of the board.

Now as to its work. Its members should be at once available, either singly or in groups, as arbitrators to decide any questions growing out of inter-State commerce that may be voluntarily submitted to their judgment. To encourage this use of the members of the board, and for the sake of the valuable information that would be thus acquired, the service should be rendered without charge to the parties submitting questions for decision. The board should seek information on all questions relating to inter-State commerce that appear to it important, and it should investigate each case or class of cases reported to it and that are deemed worthy of such attention. Before accepting statements that may be made as facts, it should give to these statements the widest publicity and invite criticism and comment. It should acquaint the public with its views as to any legislation that seems to it necessary or desirable, and invite suggestive criticism. It should not recommend any legislation until the public criticism thereon is thus secured and considered.

The national board should avoid the errors into which many of the State boards have fallen. It should not annoy the railway management of the country by attention to petty and unimportant details, nor burden its records with individual grievances that it may recognize as unimportant, exceptional, or imaginary. It should devote its attention to removing rather than increasing distrust between carriers and their patrons.

The national board should represent the entire community. If it finds that the innocent investors in railway securities need national protection more than do the shrewd and well-informed shippers of freight, the legislation it recommends should contemplate affording this protection.

Each project for adding to the inter-State transportation facilities of the country should be submitted to the national board. The projectors should show to the satisfaction of the board that there is public need for the facilities they propose to create, and that they have provided the funds to carry out in good faith the enterprise they have projected. The community at large is vastly more interested to-day in devising some proper method to restrict the needless increase of transportation facilities, and the serious commercial disturbances resulting therefrom, than it is in any other phase of the transportation question. There are few citizens, whether capitalists or laborers, who are not interested in transportation securities. If the money of the capitalist is in bank stock, trust or insurance companies, he will find the capital and surplus of these companies largely invested in and dependent on the railways. If the laborer deposits his hard-earned savings in the saving banks, it is to find that these institutions are also investors in and largely dependent on the railways.

The most serious problem that will confront the national board will be how to protect the railway property of the country from the utter ruin that threatens it as the result of the unrestrained enlargement of the transportation facilities of the country that is now liable to take

place at any time that a band of speculative capitalists may see an opportunity to make a dishonest profit by a creation of such facilities and unloading their so-called securities on a confiding public.

The national board, being a body to investigate and to recommend legislation, should not be the tribunal to carry out the provisions of laws that Congress may enact. Its services may be sought by the voluntary act of parties in interest, as has been hereinbefore suggested.

I have occupied so much of your time in discussing what seems to me to be the one practical result that may follow your labors, *i. e.*, the creation of a national board, that I do not feel at liberty to dwell at length upon the several questions propounded in your circular. I would like, however, to make some brief reference to them.

#### DISCRIMINATIONS IN RATES.

There is no extortion now practiced nor possible in inter-State commerce. Rates are too low to leave room for discussion as to their reasonableness. Rebates and drawbacks, concessions to large shippers, and discriminations in rates do exist, and no method of avoiding them has been thus far devised. They are as objectionable to honest railway managers as to any other class of the community. The national board should consider the necessity for their continuance. If the resort to such practices should be condemned, and prohibitory legislation should be recommended, the national board should measure the degree of responsibility of both the railway manager and the merchant if the practices are renewed. If it is a fault to give a rebate or drawback, it is certainly no less a fault to receive one.

#### PUBLICITY OF RATES.

Publicity is correct in principle. Wrong cannot easily be done in public. If rates cannot always be made public (and I do not believe that this is possible in all classes of traffic and carriage), the reasons therefor certainly can and should be made public. The national board should consider this question of publicity carefully, and decide as to its application to each separate class of traffic and carriage. The reasons that may make it proper to give publicity to rates on dry goods, and to forbid changes in these rates without notice, could hardly be expected to apply of necessity to grain, coal, iron, or lumber. The views of the dry-goods merchant would be of most value to the national board if confined to the question of rates on dry goods.

#### POOLING AGREEMENTS.

The community is interested in having the transportation service performed with resulting net revenue to the owners of transportation property. Rates of freight can only be maintained, so far as is yet known, by the use of pooling agreements. These agreements are not against public policy, and they should be affirmatively authorized by statute. They should not provide for uniform rates by all routes, as in so doing they would require the community to pay uniform rates for unequal service. This is neither right nor reasonable. Nor should they attempt to deprive a shipper, against his will, of his right to elect by what route his property should be carried. The partial failure that has attended the most important pooling efforts thus far made is, in my judgment, largely due to the fact that they have undertaken to exact uniform rates for unequal service and to deprive shippers, against their will, of their right of selection of route. I do not believe either of these features forms a necessary part of any properly organized pool, and I submit herewith (Exhibit A) a suggested method of organizing a pool which both be avoided



## THE LONG AND SHORT HAUL.

Charges proportionately less for a long haul than for a short one should be permitted. It frequently occurs in certain classes of carriage that the actual cost of a short haul is greater than the cost of a long one.

## ACCOUNTS AND REPORTS.

The national board should have as little to do as practicable with the form of railway accounts, and it should not subject the public to the needless cost that would follow an attempt to compile and print annual reports of the railways. The board should have in its library copies of the annual reports of all the railways that issue such reports, and of all State publications covering the same information.

## WATER-ROUTES.

The Government should not develop or maintain any artificial system of water-routes. Government aid is not needed in the direction of cheapening transportation.

I regret that the time at my command since receiving the invitation to appear before your honorable committee has not permitted any more thorough treatment on my part of the important subject than you are investigating.

## EXHIBIT A.

*Method suggested for securing a current division of freight traffic into agreed pool shares.*

To secure the successful operation of what is known as a "railway freight pool" the traffic it includes must be currently divided between the routes in interest so that each may actually carry the share of the total movement that it has agreed to accept. It is very desirable, and perhaps necessary, that this current division shall be effected without depriving shippers of their right to elect the route by which their property is to be carried. It is also desirable that this current division shall be effected without making it necessary for any of the routes in interest to offer private inducements to shippers to divert traffic from one pool route to another. This course breeds distrust between the routes, results in wasting revenue by placing the pool routes in illegitimate competition with each other, and is opposed to public policy, because it does not give to all shippers uniform rates for like service.

The necessity for some improvement on the methods that have thus far been resorted to in the effort to effect a current division of pool traffic is generally recognized, and the following plan is suggested for the consideration of those interested in the solution of this detail of the pooling problem. It is proposed that the pool commissioner shall supply shippers with blanks of about the form indicated below, to be used in tendering traffic to be forwarded by such of the pool routes as the commissioner may select:

## SAMPLE FORM.

—, —, —, 188—.

To the POOL COMMISSIONER:

If notified on or before —, 188—, the undersigned will furnish, during the week ending —, 188—, any part or all of the property below designated, to be shipped by the route or routes you may indicate, the rates of freight to be as named below:

From—	To—	Tons.	Description or class of freight.	Rate per hundred pounds if shipped by—					
				N. Y. C.	P. R. R.	N. Y. & L. E. & W.	B. & O.	D. L. & W.	N. Y. & W. S. & B.

Signed, —, —, —,  
Location, —, —, —.

Tenders of all classes of traffic may be received, or the tenders may be confined to the particular descriptions of freight to which this method may be found to be the most applicable.

It would be left optional with the commissioner to accept or reject each tender. If rejected, the shipper would occupy exactly the same position as if he had not made the tender. If accepted, the shipper would not be deprived of his right of election as to route, and the commissioner would have secured the right to forward the property by the route that needs to carry it in order that the pool divisions may be observed. By this method the shippers competing with each other would, it is believed, soon find it to their advantage to express, in the rate differences they establish between the several routes, the minimum rates that properly represent the real differences in the advantages that the several routes afford to the particular shipper making the offer. There would be no more danger of a combination of shippers against carriers than at present exists. Divisions being effected currently, there would never be any important balances due to or by any route. No one route would become indebted to another, and there would be nothing in the plan to which any shipper could reasonably object as operating to deprive him of any of his rights.

All shippers would be treated alike. There would be no effort on the part of the carriers to exact uniform rates by all routes, without regard to the inequality in actual value of service rendered.

#### THE LONG AND SHORT HAUL.

Senator MILLER. You say it frequently costs more to a railroad company to haul freight a short distance than to haul the same freight a long distance. Will you give us some example of that?

Mr. FIRTH. I do not know that I can as to a railroad company. One point that better illustrates the matter is a combined rail and lake haul. The line with which I am connected has been engaged for many years, among other things, in carrying freight to Lake Superior, to Duluth. That was the end of the voyage of the vessels going from Buffalo. Within a year the port of Washburne has been opened, and it became necessary for us to decide whether we should call at Washburne or not. We decided that we should, and the result is that we have to stop at Washburne, which increases the time our vessels are employed in that lake service, adding an increased cost somewhere, either to the Duluth freight or locating the whole of that cost on the freight which stops off at Washburne. I think you have exactly that same principle involved in much of the rail transportation. It is a more expensive operation to handle local freight on a local train and distribute it along the line than it is to take a through train of, say, fifty cars moving in a solid body.

Senator MILLER. If that is a correct principle, does it not apply to all way freight?

Mr. FIRTH. It applies as a possibility.

Senator MILLER. As a matter of fact, in your experience in railroad-ing, does it occur frequently?

Mr. FIRTH. Where the cost may be greater on a short haul than a long one?

Senator MILLER. On a railroad.

Mr. FIRTH. Yes, sir.

Senator MILLER. There is a law to-day in Massachusetts which says that no railroad shall charge more for a short distance than for a long one, starting from the same point and going in the same direction on its line. What do you think of that law?

Mr. FIRTH. I think it is a fair law.

Senator MILLER. Then what would you say to a national law which was to the same effect in regard to inter-State commerce?

Mr. FIRTH. I think the principle, while it works a hardship to the carrier in many cases, is on the whole a fair one, and if any national

legislation is proper on the subject, there ought to be no exception taken to that principle.

Senator MILLER. Although occasionally it might work injustice?

Mr. FIRTH. Although occasionally it might work injustice.

Senator MILLER. Its benefits as a system would outweigh the disadvantages in any particular case, would they not?

Mr. FIRTH. I would simply say, as I stated before, that there is no information in existence, so far as I know, that enables any one to pass an intelligent judgment on the matter of inter State legislation. I certainly have not that information, and I do not know any one that has.

Senator MILLER. But the question as to a short or long haul is one that has been considered in almost every State and by many legislatures, and has in many places been acted on, and the system as I described it has been in operation in Massachusetts for some time, and the testimony before the committee is that it is satisfactory there both to the people and to the railroads.

Mr. FIRTH. I will tell you one trouble that occurs to me. If Congress should legislate as to inter-State traffic, there they will have to stop; they cannot legislate as to State traffic. It may be possible for you to say what the haul for the long distance shall be relatively to some short haul, but you cannot say what that short haul shall be in relation to the long haul. Mr. Reeves gave you a very clear statement as to sugar moving from Boston to Pittsburgh, and he told you that he, as a Philadelphia merchant, suffered occasionally by rates being as low from Boston to Pittsburgh as they were from Philadelphia to Pittsburgh. Commerce from Boston to Pittsburgh, of course, is inter State commerce; that from Philadelphia to Pittsburgh is not. There is one of the difficulties that I think you will have in applying, without very careful consideration, rules that are proper within the limits of a State to traffic moving between various States that have almost every variety of legislation on the subject.

Senator MILLER. Do you think it proper to allow a trunk line of railroad to charge the same rate upon grain from Chicago, or more on grain from Chicago to Harrisburg than it charges on the same grain to Philadelphia?

Mr. FIRTH. You are asking a question that only serves to illustrate the density of the ignorance that I, in common with all others, have on that particular subject. If you want me to take up the question of cost, I will say yes, that it is entirely possible that the railroad should properly charge more to Harrisburg than to Philadelphia; but within the limits of the State, which is as far as our experience goes up to this time, I think the principle is improper. Now let me illustrate that. I happen to know that some short time ago the West Shore road started out two hundred car-loads of grain from Buffalo for New York, in four trains of fifty loaded cars each. If you ask me whether the West Shore road can afford to haul those fifty cars in one train and deliver the grain at New York more cheaply than it can afford to haul grain and deliver it at Rochester, or Syracuse, or Utica, or Albany, along the line, I must say yes.

Senator MILLER. Why?

Mr. FIRTH. Because a train's movement is a very small part of the cost, and because a train's movement ordinarily has to be a movement over the whole line, and as soon as you commence stopping your trains along the line you add to the cost of performing the service.

Senator MILLER. Then it may cost more to haul a train 150 miles over the same road than it does to haul it 300 miles?

Mr. FIRTH. Not if you limit it to simply the haul, and do not consider terminal expenses where you stop. If you have to provide agents and clerks and depots at each one of the stations along the line that do a small business, the cost of that work distributed over that distance is very large compared with the terminal expenses at large points.

Senator MILLER. All railroads have to supply their local agents, and local depots must be there to enable them to do the business of common carriers. In the case you suppose is it possible to say that if the West Shore road, starting out the four trains for New York, should receive a dispatch on the way, "Stop all those trains at Syracuse," after having gone only 150 miles, it would cost it more to stop them there than it would to carry them through to New York, 250 miles further?

Mr. FIRTH. Not at all. I say the very fact that the large movement is to the large points in large trains is what makes cheap transportation. I say the cost of these fifty car-loads, if, instead of going through, they have to be distributed five at a time, would be greater.

Senator MILLER. But the great trunk lines are not doing business by limited quantities or by any system of that kind. They are moving many millions of tons per year, one year with another being very nearly the same. They know what their business is and how much it is to be, and I cannot imagine that it would cost the Pennsylvania Railroad more to stop a car-load of grain at Harrisburg and deliver it there than it would to haul it to Philadelphia and deliver it here. Terminal charges usually are higher in the great cities than they are in the small country places, are they not, because of the much larger amount of track room and yards that have to be maintained, and the large number of storehouses that have to be kept up?

Mr. FIRTH. There are two points on which I should not like to be misunderstood. I think I said earlier that balancing the evils—and any decision has to be a balancing of evils—the principle of not charging more for a short haul than a long one is a fair principle.

Senator MILLER. Although there may be exceptions to the rule?

Mr. FIRTH. I still adhere to that. As to the other matter, if you desire me to follow into the details of the question of local cost—

Senator MILLER. I do not care to go into that, but you said in your regular statement the principle of charging more for a short haul than long one was correct, as I understood you.

Mr. FIRTH. No, I beg your pardon; I should not like to be on record in that way. I was answering your question in the way it was put precisely, which spoke of charging proportionately.

#### UNIT OF TRANSPORTATION.

Senator MILLER. What do you think ought to be the unit in regulating freights as between different individuals?

Mr. FIRTH. If there is such a unit practicable, I think the fair unit is a train-load. I think the practical unit should be a car-load. It is perfectly clear to any one who has looked into the subject that a train-load of freight taken at one time can be handled, if you take the elements of cost, at less cost proportionately than a single car, and that you cannot rely on an aggregate of cars making up a train-load.

Senator MILLER. Do you think it would cost very much more to transport fifty car-loads for fifty different shippers at one time than it would cost to transport fifty cars for one man of the same kind of freight?

Mr. FIRTH. Not if they are secured with the same cheapness and de-

livered at the same point; in other words, if the conditions are the same, the terminal and moving conditions, the rate ought to be the same. That would make a proper car-load unit, but I do not think it is practicable.

Senator MILLER. Do you not think the railroads, as public corporations, ought to be prevented by law from making distinctions between shippers, giving advantage to one over another by giving drawbacks and rebates, or by giving secret rates which are lower to one person than to another?

Mr. FIRTH. If the conditions are the same, I certainly think so.

#### A NATIONAL COMMISSION.

The CHAIRMAN. Do you believe in a national ommission?

Mr. FIRTH. I do; because I do not see any other way of securing reliable information. But I think that to legislate on this subject without any more information than is in existence to-day would be a very grave mistake.

The CHAIRMAN. Would you be for giving any national railroad commission any particular powers?

Mr. FIRTH. I would not. I would make it at the start a commission of investigation and recommendation, and I would ask that the members of that commission serve as arbitrators. I think they could perform very valuable service in that way and acquire a great deal of very valuable information.

The CHAIRMAN. Serve as arbitrators between railroads and complainants?

Mr. FIRTH. Between the railroads themselves, or between the railroads and complainants in all questions of interstate commerce.

The CHAIRMAN. And make up their judgment or determination as to what would be right between the shippers, or between railroads and shippers, or between the railroads themselves?

Mr. FIRTH. Yes, sir; and I believe that judgment would be accepted in very many cases and remove much of the friction that exists now.

The CHAIRMAN. You would not give them, though, the power of enforcing that judgment or determination?

Mr. FIRTH. I would not. If they recommend legislation, I do not think they ought to enforce it.

The CHAIRMAN. You spoke awhile ago of a commission that should have some sort of official connection with the State commissions, I believe; do you mean that you would want the members of the various State commissions members of the national commission?

Mr. FIRTH. I would make the chairmen of the State boards compose the national commission. I would do that because it seems to me that every State is entitled to representation in the commission. All the States are to be affected by its decisions and recommendations, and I think that if you take in the chairmen of the State boards you ought to take in the best informed men on the particular topics that are coming before the national board; and further than that, by bringing all these State men together you will secure a better class of service in the State boards. By bringing them together in the national board you will allow those who know the least to get the benefit of the knowledge of those who know the most.

The CHAIRMAN. Would you have anybody else on the national commission besides the chairmen of the various State Boards?

Mr. FIRTH. I would add a chairman, to be appointed by the President, with the approval of the Senate, and stop there.

The CHAIRMAN. Suppose that one-half the States, or any portion of them, have no commissions at all, then what would you do?

Mr. FIRTH. I would allow the President, on the request of the State legislature and on their providing money to pay this representative of the State, to appoint some one from that particular State, if the legislature did not elect to do so itself. I take it that if a State does not want a representative in the board it is not harmed if it has not one there, or, if it is harmed, it is its own fault..

The CHAIRMAN. So that you would just give them an advisory power to make known their conclusions and then depend on the transportation companies of the country to abide by their decision?

Mr. FIRTH. No, I would go farther than that. I would have the board recommend legislation, but I would not have them recommend legislation without being sure of the facts they proceeded on. As you gentlemen are gathering statements from all of us who happen to appear before you, you will not by any means secure a collection of facts. I suppose that if any fellow, transporter or shipper, followed me he might convince you that part of my opinions were only notions.

The CHAIRMAN. When shall we get to that point of time when you think we shall have information to justify us in doing something?

Mr. FIRTH. I think it is possible to do it in a committee operating as you gentlemen do now. I think the most you can accomplish is to create a national board which will make this matter a constant study, and I believe their time will be fully occupied, and they will gradually settle down under the idea of division of labor into the adoption of plans which will finally place them in possession of the facts. I do not think it is a matter that the National Government will want to work in a hurry about.

Senator MILLER. The National Government does not want to work in a hurry, but many of the people are in a hurry; they are making complaints and want them rectified during their day and generation.

Mr. FIRTH. Is it the fact that there are any material complaints made?

Senator MILLER. Without going into the testimony, there are very serious and material complaints made by very many people.

Mr. FIRTH. I am inclined to think that that idea is given a great deal too much weight; more than it is entitled to.

Senator MILLER. The testimony will develop its weight. That is a matter of opinion.

Mr. FIRTH. Certainly.

Senator MILLER. Do you think the chairmen of the State commissions would have time to attend to the affairs of their State commissions and also attend to the question of interstate commerce, which is much more difficult and would require much more time?

Mr. FIRTH. I think they would, and I think their State work would be better if more of their time was otherwise occupied.

Senator MILLER. The chairman of the Massachusetts board and the chairman of the New York board are almost constantly engaged, being paid good salaries by the year, in hearing complaints in their own States. I do not think they would admit for a moment that they could spare twenty days in a whole year from their duties of State commissioners.

Mr. FIRTH. I think from what I know of the action of State commissioners that they go into a great deal of detail that is not calculated to allay the distrust and trouble between shippers and carriers, but rather

to increase it, and I believe that if these gentlemen were acting on a national commission it would have a tendency to broaden their views as to their duties and give a better service to the State; as well as give a very valuable service to the nation.

The CHAIRMAN. You have no railroad commission in this State?

Mr. FIRTH. Not as yet.

The CHAIRMAN. Where do you get your idea from as to the needs of a State commission on the question of whether they ought to be engaged on something else a portion of the time? Do you get it from books or from your experience in other States?

Mr. FIRTH. I get it partially from what I see in ordinary current publications as to their work. I get it from the fact that I am connected with a New York railway, and from my connection with that railway I secure copies of the circulars issued by the New York State commission.

The CHAIRMAN. What is your information as to the status of the New York commission, for instance, in settling difficulties between transportation companies and the people?

Mr. FIRTH. So far as concerns the transportation interest that I am connected with, it never has had a question before the commission. I have no knowledge of any important questions having been before them during the time they have served.

The CHAIRMAN. In Massachusetts, as a matter of fact, so far as this committee were able to learn, there did not seem to be anybody, either railroad manager or citizen, who did not apparently have absolute confidence in the valuableness as well as fairness of that commission.

Mr. FIRTH. I think that is the best illustration we have in this country to-day of what can be accomplished by a railway commission. I think some of the Western State commissions are not as perfectly organized.

#### JAMES SPEAR'S STATEMENT.

JAMES SPEAR (a stove manufacturer of Philadelphia) appeared.

The CHAIRMAN. If you have complaints against the railroads or the management of railroads in dealing with you or with this community or any other, we shall be glad to have you state them.

#### RAILROAD MANAGEMENT.

Mr. SPEAR. My complaint would be simply a general complaint of bad management of all the railroads in the United States, and from what I gather this morning one very important portion of our community is left out entirely. You do not seem to have any sympathy for them. The questions are all asked about the shipper and business man, the man who is carrying grain, when you should ask how are the widow and the orphan to be affected? How are the ladies who put their money in railroad stocks affected when they cannot pay a bill because they have no interest from the railroad company on their investment? How are they going to pay their bills? If you would embody some general plan to prevent the railroads from committing suicide——

Senator MILLER. The resolution under which the committee acts instructs us to inquire into the subject of interstate commerce, and not into the question of railroad investments.

Mr. SPEAR. That is embodied in all this. You speak of preventing extortion on the business men, and then you should prevent extortion

on widows and orphans. It must be embraced. There is not any railroad in the land that I can see but what would be bankrupt to-day if it paid its bills and all its expenses. They only pay interest when they can borrow money, as far as I can see, and they cannot lay a tie or drive a spike or lay a siding or build a house or a depot without borrowing money to do it with. If there could be some general law made that railroad companies shall not charge an extortionate price to one man and that they shall not carry another man's goods for nothing, it would be certainly a great blessing to the country, and then you would protect everybody, because, by a just charge for carrying freight, say from here to Chicago, and another one to Pittsburgh, the railroad companies could derive profit enough to pay interest on the investment, and would be doing a good thing for the country.

The CHAIRMAN. There is no common law that prevents a railroad corporation from carrying the goods of a man for nothing, that I know of, but the common law of the land does prevent, or is a means of preventing, a transportation company from charging an extortionate price; but nevertheless the belief is on the part of many people that that is going on. We have come here to find out just what your complaints are.

Mr. SPEAR. I want to state a little more to you that I stated last evening to gentlemen at the Commercial Exchange. I suppose there are many complaints; there must be a great many complaints, or you would not be here to inquire into them. I went through the excitement in Pittsburgh when the great riot was there, and I know this to be the fact, that the Pittsburgh people were very much incensed against the Pennsylvania Railroad Company; and at that time I was able to ship stoves to Chicago for 25 cents a hundred, while, if I shipped them to Pittsburgh, it cost 50 cents a hundred.

The CHAIRMAN. On the same road?

Mr. SPEAR. On the same road.

The CHAIRMAN. How did that happen?

Mr. SPEAR. Because we could send them up by the Philadelphia and Erie Railroad, which belongs to the Pennsylvania Railroad, to the lakes, and on that way to Chicago for 25 cents a hundred.

The CHAIRMAN. In other words Chicago was a competing point and Pittsburgh was not.

Mr. SPEAR. Exactly. I do not know whether your memories will go back so far, but the Pittsburgh people stood by and saw that riot go on; they did not try to protect property on the Pennsylvania Railroad. Why did they not try to protect it? Because they felt incensed against the Pennsylvania Railroad Company for this very discrimination.

Senator MILLER. Does that discrimination continue now?

Mr. SPEAR. I do not think it does. I think the Pennsylvania Railroad Company has been much more generous to citizens of this State than before that riot. I think that opened their eyes. I have been able to send stoves to Chicago—it has changed a great deal now—at \$1 a hundred, and when I sent to Saint Louis I had to pay \$2.75 a hundred. That was a great many years ago.

The CHAIRMAN. How is it now?

Mr. SPEAR. It is not so bad now. The roads are more generous than they used to be.

The CHAIRMAN. You say that at the time of those riots in 1877 you shipped stoves to Chicago at 25 cents a hundred and had to pay 50 cents a hundred to Pittsburgh?

Mr. SPEAR. Yes, sir.



The CHAIRMAN. Was that right?

Mr. SPEAR. No, sir.

The CHAIRMAN. Do you know whether that is done at any place now?

Mr. SPEAR. I do not know that it is done at all in this State anywhere. I think the entire freights all over the country to-day are entirely too low.

#### LOCAL AND THROUGH RATES.

The CHAIRMAN. Is there any difference in rates between local and through rates?

Mr. SPEAR. I think there is as a general thing a higher charge in proportion for local freights than through freights. I think that is so in the Pennsylvania Railroad now.

The CHAIRMAN. Do you think the local freight rates in this State, for instance, are all reasonable?

Mr. SPEAR. I think they would be so if the through freight rates were higher. The great trouble the railroad companies are laboring under while there is so much depression of business is that they do not charge enough for through freights either way; they do not charge enough for passenger tickets through; and therefore the widow and the orphan are suffering from the fact. I will give you an illustration of it. A lady wrote from Hazleton last week or the week before last for some repairs to a stove. It was a very simple thing, and cost about \$4.50. I sent the bill to her, and she sent word back that she was not able to pay it, because the Central Transportation Company—that is the sleeping-car company between here and Chicago run by Pullman—had passed its dividend. Another lady came to me who had all her money invested in that kind of security. Pullman claims that there is so much competition and so little travel that he cannot pay the dividends he used to pay; that there must be a new deal made.

The CHAIRMAN. What sort of deal does he want?

Mr. SPEAR. He wants them to take 3 per cent., instead of 12, and he is not paying anything until that matter is settled. The trouble all over the country is that the railroads cannot pay their interest.

#### RAILROADS SHOULD BE TRANSPORTERS MERELY.

There is another thing railroads should be prevented from doing, and that is going into manufacturing business. They should confine their business strictly to what their charter calls for—railroad traffic. If they go into the iron and coal business and manufacture iron and build iron and steel works, that is not in their railroad business at all. They should confine themselves to railroading, and let manufacturers manufacture goods. The country is really injured at the present time, and there is great depression in business of all kinds, people are suffering, and people are poor from the very fact that railroad companies are not charging enough.

The CHAIRMAN. Is all this poverty due to the fact that railroad companies are charging less than they ought to?

Mr. SPEAR. It depends a great deal on that. The depression of business is largely due to the fact that the railroads are not charging enough. Here is a lady who invests, say, in one hundred shares of railroad stock which has been paying 6 per cent. She cannot get on Government bonds over 3 per cent., and so she invests all she has in railroad stock.

Next week the railroad company say they are going to cut rates, and the paper comes out the next morning with a statement that stocks have fallen so much. She gets frightened, and she sells out at a loss. It has been done all over the country in the same way, and they are the losers.

#### MAXIMUM AND MINIMUM RATES.

The CHAIRMAN. How do you propose to prevent that?

Mr. SPEAR. Let your commission take in a broad enough scope to prevent the railroads from committing suicide by having a general charge on all kinds of freight from East to West, or a certain rate of mileage.

The CHAIRMAN. Do you favor a maximum and minimum rate fixed by Congress?

Mr. SPEAR. Certainly, that they shall not go below a certain rate.

The CHAIRMAN. If Congress should undertake to pass a law which should declare that no railroad should charge less than a given amount, how would it go to work to find out what that amount ought to be?

Mr. SPEAR. I do not think it would be very difficult to find out what it would cost to bring a car-load of flour from Chicago to Philadelphia or New York. If they found they could bring it at 25 cents a barrel, let that be the basis.

The CHAIRMAN. But those are not the only points in the country. If we undertook to regulate the maximum and minimum rates by law of Congress, it would have to be not only between the competing points, between the great centers, but everywhere else where there was a railroad running.

Mr. SPEAR. I do not think the commissioners would find great difficulty in fixing a rate of freight from Chicago or any other point West through that would pay railroad companies a living profit, and then say they shall not charge 100 per cent. for carrying half that distance, just as one gentleman said last evening he got flour from Chicago at 25 cents a barrel, but when he got it from a certain mill in Ohio it was 50 cents a barrel to Philadelphia. If they can carry it from Chicago to New York or Philadelphia for 25 cents they can carry it half that distance for 25 cents.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. You would be in favor of a law that would prevent the charging of more for a short haul than a long haul?

Mr. SPEAR. Yes, sir. A man living in Pittsburgh, who wants to go to New York, should not be charged \$10 while a man living in Chicago is charged only \$8 to New York. If the railroads charge the Chicago man \$8 to New York they should not charge the Pittsburgh man any more than \$8. They should not charge him \$10 because he lives in Pittsburgh.

The CHAIRMAN. Would you make the long and short haul principle apply to passengers?

Mr. SPEAR. Just the same as it is on the street cars. If you get in a street car and ride from here to the public buildings it is 6 cents, and if you ride to the end of the road it is 6 cents. They do not discriminate. But suppose you wanted to ride from the public buildings here, and they charged you 10 cents and from West Philadelphia only 6 cents, I would say you were discriminated against very decidedly.

## DRAWBACKS AND REBATES.

The CHAIRMAN. You are engaged in the store business. Do you know anything about the charge some people make that the railroads are giving drawbacks and rebates, and in that way favoring one shipper against another.

Mr. SPEAR. I know that I did a trade in 1873 of nearly half a million dollars. I had a trade all over the West. The moment they commenced cutting down their rates I could not send a stove from here to Chicago under \$3; they could send them by the car-load for 50 cents a hundred from Albany, and so I lost all that Northwestern trade. I did not come here to make known this grievance, but it is a fact.

The CHAIRMAN. We want people to tell us the truth about these things.

Mr. SPEAR. When I talk to the railroad companies about it they say that at Albany the shippers load their goods on barges and take them by water all the way to Chicago. They start them by water to Buffalo and they go all the way through by water. I do not know how many go by rail, but I know they send a great many car-loads by rail.

The CHAIRMAN. Suppose they do go by water, Albany being on the canal and that leading out to the lakes and the lake leading around to the western country, that is an advantage which they have by virtue of their location or contiguity to water routes that you do not have here.

Mr. SPEAR. Yes, sir.

The CHAIRMAN. You would not undertake to interfere with that advantage?

Mr. SPEAR. We could not very well interfere with it.

The CHAIRMAN. Do you know any way by which you could, with propriety, prevent that kind of thing if persons do ship by water and those engaged in water transportation are able to carry freight cheaper than a railroad and do it as a matter of fact? You would not undertake to regulate water routes so as to prevent them carrying cheap?

Mr. SPEAR. No, sir; but they can only carry during the summer season, and a man will have to invest his money in the goods during the summer months when there is no sale for them; but when they can load up a car in Albany in the month of December and send it out to Chicago at 50 cents a hundred and we have to pay 75 cents or \$1 a hundred, we feel that we are working at a disadvantage.

The CHAIRMAN. You think, then, that a railroad commission ought to have some power to prevent that sort of discrimination between places?

Mr. SPEAR. Yes, sir. If you have the power to protect the merchant and the manufacturer you must have the same power to protect the widow and orphan who have money invested in railroad bonds by compelling the railroads to carry at prices that will pay interest on the bonds, and when they go below those prices their officers ought to be put in the penitentiary.

Senator MILLER. What do you say about railroads where the amount of their bonds, capital, and obligations outstanding is three or four times the actual cost of the road, do you still want them to charge enough to pay dividends on the whole?

Mr. SPEAR. No, sir; that is a very difficult problem to deal with.

Senator MILLER. That is said to be true of a majority of the railroads in this country.

Mr. SPEAR. I have no doubt it is true.

Senator MILLER. The widows and orphans of whom you speak have come in and bought those bonds of men who built railroads, and paid more than they cost. How is the Government going to protect them?

Mr. SPEAR. They could be protected by saying that the railroad companies should pay 2 or 3 per cent. instead of paying nothing at all. This class certainly have some rights. They came in ignorantly. If you went into a court-room I suppose the judge would decide that the railroads must do something for them in regard to their investments. "If they have been swindled you will have to protect them in some way, pay them something."

The CHAIRMAN. But suppose there is nothing to pay them?

Mr. SPEAR. It is owing to the general bad management of the railroads.

The CHAIRMAN. Primarily, you think, the Government ought to take hold of the railroad and see that it is not run in such a manner as to fail to make enough to pay them?

Mr. SPEAR. Certainly; if they take hold of the other part they ought to take hold of that part too. The charges should not be too great or too small.

The CHAIRMAN. Have you any other suggestions?

Mr. SPEAR. I think I have stated about all I have to say.

The CHAIRMAN. If, on looking over our circular, you think there is anything you want to answer directly, we shall be glad to hear you.

#### FREE RAILROAD PASSES.

Mr. SPEAR. There is another thing I should say. The commission, if ever appointed, should see that there are no passes issued to any one on a railroad. Everybody who travels over it should pay his fare. I would not issue a pass to any one. Men assigned, as you are, to travel over the country and get information, the railroads might give passes to for that purpose, but I would forbid all other kinds of passes, even to the employes of the railroad. If they wish to live out of town, let them pay their fare like other people.

The CHAIRMAN. The Government is paying our expenses, so we are not asking anything of the railroads. I think, myself, the pass system is a very bad one.

Mr. SPEAR. I do not know that I have anything else to say unless you have questions to ask.

#### EDWARD R. WOOD'S STATEMENT.

EDWARD R. WOOD (a window-glass manufacturer) appeared and said:

I am interested in many different branches of manufacture here. I may call myself a window-glass manufacturer, I suppose.

#### RIGHT OF GOVERNMENTAL REGULATIONS.

I noticed a question which seemed to be on your minds, which was not actually put, as to the right of the Government to intervene in this matter. I have a very settled conviction on the general principle in my own mind, and that is that the railroad system follows very strictly the analogy of the banking system, which is a commercial operation to which certain powers of the people are delegated for certain specific pur-

uses, and of course where the people delegate their powers they have right to follow up the exercise of those powers, and see that they are properly administered. That is all very well in theory. When it comes to practice, it is, I suppose, what you gentlemen are trying to find out—how to put it in practice.

#### INSTANCES OF DISCRIMINATION.

As a matter of fact, I have no complaint to make. If I have a complaint to make I go and see the general freight agent of the railroad company and make it to him. I find he is always willing to settle it out right after the right kind of talk. I do think that the general aim and object of railroad officers in this country is to do as nearly right as they can. At the same time, they are, like other people, open to various considerations which may sway them. I have known cases, for instance, where soda-ash has been imported from Liverpool and set down in Pittsburgh (which is a much larger glass manufacturing place than Philadelphia) under freight contracts at a price no higher than it costs to put it in Philadelphia. So I have understood. I believe that the consignments at the two rates came on by the same steamer to Philadelphia at the same time. It has come under my notice, and I have seen the bills of lading, that glass has been shipped from Pittsburgh to New York at about the same rate that it was shipped from just across the Delaware River to New York. Those are matters of fact that I suppose extend all over the country and that nobody denies. In most every case, probably, if it was traced up, there would be found some reason for it, though it might not be a justifiable one.

The CHAIRMAN. As far as your own personal experience in business concerned, you have no complaints to make?

Mr. WOOD. None at all. If some other fellow gets a better rate of freight than I do, I go for him and get a better one still if I can.

#### THE BELGIAN SYSTEM.

The CHAIRMAN. Do you think it is wise to let that sort of a struggle go on among the people to get the best rate of freight, or to throw around the transportation question some sort of legislation that will make it more stable and equal in its operation to all the people?

Mr. WOOD. That is a very important question. I noticed in traveling in Belgium that some of the railroads there, rather more than half, belonged to the Belgian Government, or were controlled directly by the Belgian Government, and they have great big placards in very fine print and very small letters showing what the rates of freight are between all the little villages. I have never seen anybody reading those, though I suppose the merchants understand them. I understood from what I saw there that the Government railroads, though occupying a little more than half the mileage, did a little less than one-half the business, and I believe paid a little less in interest than the others; and I suspect that the same thing would take place here; that if you established rigid rules there would be less business done, not only per mile, but probably on an average.

The CHAIRMAN. There the Government owns part of the roads absolutely?

Mr. WOOD. It owns absolutely, I believe, rather more than half the roads.

The CHAIRMAN. And controls the rest?

Mr. WOOD. No; I think not.

The CHAIRMAN. Does it not undertake to exercise any control over the rates?

Mr. WOOD. I ought not to have gone into that, perhaps, without having more information. But the other roads connect; there is no want of harmony in running trains as we have in rival systems here, but I think that the independent roads there operate on their own basis; they make their own traffic rates, I think.

Senator GORMAN. Are there any regulations by the Government?

Mr. WOOD. Everything is under regulation by Government there. I have no doubt that there are general laws which regulate them. The Government there will not allow a man to strike. I have had glass-blowers come to me and say they could not strike in that country. I know gentlemen here who would be glad to have such a system.

The CHAIRMAN. You would like something to prevent strikes here?

Mr. WOOD. Manufacturers would. As a man I do not think it would be right. People would apply the same idea to railroads in many cases. Of course a public body, a corporation, is under some obligation to the public for its privileges.

#### TERMINAL AND TRANSPORTATION CHARGES.

The CHAIRMAN. Have you any definite idea whether there ought to be any legislation by Congress, and, if so, what?

Mr. WOOD. No; I have no definite idea on the subject. It may do different in some cases, but I do think there is a want of sufficient care on the part of a great many transportation companies in distinguishing between their terminal charges and their strictly transportation charges, and I think that want of care in book-keeping, as it might be considered, leads to a great deal of misunderstanding as to what they ought to charge.

The CHAIRMAN. Some persons who have been before us think that the terminal charges and the haul charges ought to be kept separate and open to the party who has to pay the bill, so that he may see how much is charged for hauling his product and how much is charged for the handling of it, &c., at the terminal points.

Mr. WOOD. I think something of that sort might work to considerable advantage.

The CHAIRMAN. You think it would be practicable as a matter of business?

Mr. WOOD. I am not enough of a railroad man to know. It would be as practicable, so far as the freight goes, to pay the bill in one form as another, but how much it might add to the expense of the transporter I cannot judge. It would probably add something to the expense and therefore react on the public.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. In your business life you have had a good deal to do with the shipping of freights, long distances and short?

Mr. WOOD. Yes.

The CHAIRMAN. Has it been your experience that you paid more for short distances than for long ones?

Mr. WOOD. More absolutely, you mean?

The CHAIRMAN. More in the aggregate.

Mr. WOOD. No; I think not. Cases occasionally happen where I

now of glass being shipped from Pittsburgh to New York at less than from down here in New Jersey; but I do not think it has often come within my own knowledge that the charge for the longer distance was actually less than for the shorter distance. I have known a great many cases where it was relatively very much less.

The CHAIRMAN. But not in the aggregate less?

Mr. WOOD. Not that I know of; at least not in many instances. They do say that a good deal of coal in Pennsylvania (which is not an interstate matter strictly) is hauled a long distance for less than it is hauled short distance, though it is a matter of which I have no personal knowledge.

## F. B. REEVES'S FURTHER STATEMENT.

### DISCRIMINATIONS IN COAL RATES.

FRANCIS B. REEVES reappeared and said:

Mr. Wood said the last matter referred to was not an interstate matter. Does it not become an interstate matter when coal is shipped to Massachusetts at a lower rate than is charged from the coal-fields of Pennsylvania to Philadelphia?

The CHAIRMAN. If it goes out of one State into another it is interstate.

Mr. REEVES. When I said this morning that I had no grievance, I meant that I had none in the line of my business; but as a citizen of Philadelphia I feel that that is a grievance, a discrimination against Philadelphia by a corporation of our own State of Pennsylvania. What are the causes leading to that discrimination, I am entirely ignorant of.

Senator MILLER. Do you state it as a fact that more is charged for coal shipped to Philadelphia than for coal shipped to Boston?

Mr. REEVES. That as much is charged, and that is really charging more on account of the distance to Philadelphia being so much less.

Senator MILLER. You know that to be a fact?

Mr. REEVES. I know it is a matter of common rumor and has been publicly charged, and I have never seen it denied. I think if it were not true it would have been denied by the Reading Railroad corporation; but I don't know it of my own knowledge, as I have never seen any bills that I could compare.

Senator MILLER. Do you know how the market price of coal in Boston compares with the market price of coal in Philadelphia?

Mr. REEVES. I am not sufficiently familiar with the subject to answer that question. It is about the same, I am told. I believe the freight is about the same in one case as in the other.

Senator MILLER. The freight being the same, the price ought to be the same.

Senator GORMAN. The transportation from here to Boston is all by water for coal, is it not?

Mr. REEVES. No, sir; there was a time when it was taken entirely by water. It is now shipped both ways, both by water and by rail.

Senator MILLER. The coal of which you speak as going to Boston and being delivered there at the same rate it is here, does not go by way of Philadelphia?

Mr. REEVES. I am told that it does. It passes through Philadelphia.

Senator MILLER. Comes to Philadelphia, then goes to New York, and then to Boston?

Mr. REEVES. Yes, sir. A contract is made on a through bill of lading deliverable in Boston at no higher rate than is paid by merchants in Philadelphia, and that is given as a reason why we who are merely consumers of coal are obliged to pay so much for our coal, \$6 to \$6.50 per ton, within a few miles of the coal-fields of our own State, while our neighbors in Boston pay no more and derive their coal from the same sources of supply, going a much longer distance. I think we should in this and in all other respects enjoy a profit by our natural geographical advantages. If nature has cast our lot in the vicinity of a coal-field, we ought to have the advantages of it, and if we build our town in a natural sea-port I think we are entitled to have the advantages of that fact as against those who build their towns in the interior of the State or where they are hemmed in by mountains.

Senator MILLER. The statement you make in regard to coal is certainly very remarkable, and I should be glad if you could give us absolute proof of it in the way of bills of lading or from persons who have positive knowledge in regard to it. It seems so out of the ordinary way that a railroad company should be willing to transport coal through Philadelphia to New York and then to Boston, all the way by rail, at the same rate it brings it here, that I should be glad to have it verified, if possible. I do not question the correctness of the statement, for I know nothing about it. I know that coal goes to Boston from Pennsylvania by going across the Hudson River and going by the New York and New England road which does not come to Philadelphia at all, and does not even go to New York City. Of course that is a much shorter route. What the charge is there I do not know anything about.

Senator GORMAN. If it is true as to the charge to Boston, is it not true because of the competition of the coal that comes down the Susquehanna and Tide-water Canal going off from Pennsylvania and entirely by water to Boston and that which goes through the Delaware and Hudson Canal? Is not the reason, if the fact is so, that a Pennsylvania road, for instance, cannot carry a pound of coal to the Boston market unless it competes with the water lines?

Mr. REEVES. I have no doubt that is true. It is unquestionably the competition, and that alone, which imposes that state of affairs upon us.

#### EFFECT OF WATER-ROUTE COMPETITION.

Senator GORMAN. That comes back to the question I asked you this morning. If the railroads are compelled to put down their rates so as to compete with those two water lines on either side of you, both leading to your coal-fields, how is it possible to regulate that matter unless you regulate transportation both by water and rail?

Mr. REEVES. I do not think it possible to regulate it. I think it is better for all concerned, in the long run, that the competition should go on. I believe in open and free competition of rail transportation companies with water transportation companies, and rail transportation companies with one another, because in the long run, though it may operate here and there to the disadvantage of an individual or community, it operates to the great advantage of the people at large.

#### LIMITS TO LEGISLATION.

I would never legislate any further than would put a stop to injustice as between individuals under like conditions. I would be utterly opposed to Government interposition in this matter of the carrying of



rights or passengers unless it would be practicable, as I think it might possibly be, to go so far as to enact laws that would prevent unjust and unequal discriminations as against communities or individuals under similar conditions. That is all. For example, I do not believe that any railroad company has a right to enter into a contract with one corporation and secretly allow a drawback which shall give that corporation or the individuals that may be controlling it a decided money advantage over a private corporation, or a private firm procuring their goods and having them transported over the same road the same distance, under similar conditions, the cost of the transportation and the terminal facilities being the same in both cases. I believe that railroad companies coming into Philadelphia have thus discriminated very largely to the advantage of some and disadvantage of others. I would like to see that prevented so that all may have a fair race together, while at the same time, as I said this morning, I believe it is right and proper and business-like to carry a large quantity of goods at a less rate than a small quantity, and under certain circumstances, it may be, possible to carry goods a long haul at a less price than a short one on account of the expense of handling the goods and the expense of terminal facilities.

Senator GORMAN. Coming back to the case in point, I understand you to say that you would prevent by legislation the Pennsylvania road from carrying coal through to Boston to compete with these two water routes, unless they delivered it in Philadelphia at the same price?

Mr. REEVES. I will say that that I think would be a case calling for regulation by law. That would be one of those cases that I think would come under the head of unjust discrimination, and I would have the government prohibit it if I could.

Senator GORMAN. You would make the railroad charge a less rate to Philadelphia than to Boston?

Mr. REEVES. I would; and if the coal mines were in Massachusetts I would accord the same right in favor of Boston. I think we should enjoy all the advantages of our geographical position.

### J. R. TOMLINSON'S STATEMENT.

J. R. TOMLINSON (a grain merchant of Philadelphia) appeared.

The CHAIRMAN. If you have any complaints to make, or know of any, against the management of the railroads of this State or of the country, please state them.

### DISCRIMINATIONS IN RATES.

Mr. TOMLINSON. The only way in which I am interested is that I sell grain and feed and other Western produce at interior points of Pennsylvania; and the difficulty I labor under is apparently the fact that some gentlemen, especially at a time like this when there is great competition in freights, get more favorable rates than I do.

The CHAIRMAN. Do you know that that is so?

Mr. TOMLINSON. Reasoning from induction, I think it is so. For instance, one of my rivals will overbid me at a point in the West—such cases have occurred—and will sell to my customers here at a less price than I can afford, less than I can afford to pay.

The CHAIRMAN. So that your conclusion is that they must have some

secret arrangement with the transportation company by which they have an advantage over you?

Mr. TOMLINSON. That is the conclusion I reach.

The CHAIRMAN. What roads are you dealing with? ·

Mr. TOMLINSON. All the roads that bring freight to Philadelphia; what we call the northern route, the Reading and Lehigh Valley roads, and also over the Pennsylvania road.

The CHAIRMAN. Do you think that ought to be allowed to go on and regulate itself?

Mr. TOMLINSON. I do not.

The CHAIRMAN. What do you think?

Mr. TOMLINSON. I think that is a case for the Government to interfere.

The CHAIRMAN. In other words, you believe in the prohibition of drawbacks and rebates?

Mr. TOMLINSON. Yes, sir; I do.

The CHAIRMAN. And some law that would prevent unjust discriminations?

Mr. TOMLINSON. Yes, sir. There is one matter the gentleman who has just sat down mentioned that it is in order to refer to. He seemed to approve, under certain conditions, the allowing of a lower rate for large quantities than for small quantities. It strikes me that the doctrine is monstrous. It seems to me that the advantages possessed by a person or firm in handling large quantities are ample from the fact of their ability to do it on account of their large capital, and these roads, having been chartered by the Government and obtained concessions from the State or nation, have no right to favor any persons, and especially those who already possess advantages such as I have mentioned. It seems to me that it would be just as reasonable to have the United States Government charge a lower rate of postage on ten thousand letters a day than it would on ten.

The CHAIRMAN. You are engaged in shipping grain?

Mr. TOMLINSON. Yes, sir.

#### UNIT OF TRANSPORTATION.

The CHAIRMAN. Do you ship by the car-load generally?

Mr. TOMLINSON. By the car-load exclusively.

The CHAIRMAN. What is your judgment as to the rightfulness of a transportation company charging more for one car-load per car than for a greater number?

Mr. TOMLINSON. If they can demonstrate that it is more expensive to handle one car, I do not think it would be out of order for them to make a just difference; but my impression is, and from my experience I think, the case does not fit.

The CHAIRMAN. You think, then, a car-load ought to be the unit?

Mr. TOMLINSON. Yes, sir.

The CHAIRMAN. And the same charge per car made for one car as for a greater number?

Mr. TOMLINSON. That is my idea.

#### LOCAL AND THROUGH RATES.

Senator MILLER. Do you bring in your grain and feed from the far West, from Chicago?

Mr. TOMLINSON. I do from all the Western States, including Ohio, Michigan, Indiana, Illinois, Minnesota, and Wisconsin.

the CHAIRMAN. Do you get through rates on your shipments of iron from Western points?

Mr. TOMLINSON. No; as a rule I do not. The shipper generally makes rate, and that is manifested. The difference in the rate is shown by price which he charges delivered, although that is not always the case. Sometimes in purchasing goods west of Chicago, as at the present time, I have an arrangement by which the property is consigned to cargo to the care of any line I indicate. I am doing considerable business lately in that way.

I have no complaint to make against the railroads as a rule. I presume they would give me the same advantages that they give other people if I carried as much freight. My business amounts to from one hundred to one hundred and fifty cars a month. There are others who probably bring them three or four times as much, and that is where the difficulty comes in so far as I am able to judge. For instance, at the present time there is a rate to Philadelphia, a cut rate; it is not a certain rate, but very uncertain. Under ordinary circumstances the freight to the interior points (and I do business within 100 miles of Philadelphia) is the same as to Philadelphia. When there is no cut in the rate there is no discrimination that I have ever been able to perceive. At present time they will to non-competing points not give this, but they keep up the schedule rate. I have reason to suspect—after all it is only suspicion, but it amounts to a conviction in my mind—that another firm who are carrying a large amount of freight both to Philadelphia and to other points get the cut rate to the interior points. I suspect that that is the case; I do not assert it. I should be very glad if some law could be passed or some influence be brought to bear to remove that suspicion from my mind and make it a certainty that the thing is not done.

Senator MILLER. Do you bring much grain from the West and stop it short of Philadelphia at some interior town?

Mr. TOMLINSON. That is almost exclusively my business.

Senator MILLER. State what the facts are now as to whether you can ship grain from Chicago to any point in the interior not a competing point at the same rate that you can bring it to Philadelphia, or whether you pay more.

Mr. TOMLINSON. I pay more.

Senator MILLER. You pay more for the short haul than the long?

Mr. TOMLINSON. Yes, sir.

Senator MILLER. If you were to order two car-loads to-day from Chicago, one to come to Philadelphia and one to stop in the interior 100 miles away from here, but at some station which was not a competing station, there being no other railroad there, would the rate of freight be the same to that non-competing station as to Philadelphia, or more or less?

Mr. TOMLINSON. It would be more to the interior point than to Philadelphia.

Senator MILLER. That has been so only since they began to cut the freight rates?

Mr. TOMLINSON. I may say that, so far as my observation goes, it is so only when they are cutting rates, whether at this time or on previous occasions.

Senator MILLER. When the rates are regular as fixed by schedule, do you carry your grain a shorter distance at the same rate they charge to Philadelphia?

Mr. TOMLINSON. Yes, sir. I think it is pretty good evidence that the interior business is no more expensive than the other business. Within

four or five days parties have asked me for bids "delivered at Philadelphia proper." Generally the phrase is "delivered at Philadelphia points;" now it is "Philadelphia proper." They can sell at a lower price "delivered at Philadelphia proper" than they can "at Philadelphia points."

Senator MILLER. Places called "Philadelphia points" being points in the interior near Philadelphia?

Mr. TOMLINSON. Yes; which take Philadelphia rates.

The CHAIRMAN. People in the West who have the goods to sell ask you that?

Mr. TOMLINSON. Yes, sir. There were two telegrams this morning asking me that.

The CHAIRMAN. Which is very conclusive that they can get a better rate by sending their produce here?

Mr. TOMLINSON. Yes, sir; I apprehend that is not denied by any railroad man to-day, though they do not avow it.

Senator GORMAN. Do you say that when the rates were fixed, when the pooling was in existence, your through rates were no greater than when you stopped your goods, for instance, at Harrisburg?

Mr. TOMLINSON. Not at what are known as "Philadelphia rate points." For instance we will take Harrisburg as a standard. The tariff rates are the same on the main line of the Pennsylvania Railroad or on the main line of the Reading Railroad where there is competition as to the Reading Railroad, but whether there is competition or not as to the Pennsylvania the tariff rates to these points are the same as they are to Philadelphia. I can get one car of grain or feed sent to Bird in Hand, Lancaster County, which is a non-competing point, at the same rate that I can bring one hundred to Philadelphia from Chicago when rates are steady.

The CHAIRMAN. What can you do now?

Mr. TOMLINSON. I can hardly tell.

Senator GORMAN. It has been stated before the committee by quite a number of business men that on most of the trunk lines they frequently ship goods from Chicago through to the terminus, Philadelphia or New York as the case may be, and then send them back at local rates to interior points 100 miles cheaper than they can stop the car off. Do you say that is not so with the Pennsylvania Railroad?

Mr. TOMLINSON. I do not think it is so as to either; it has never been so in my experience. The Pennsylvania road will, and the Reading Railroad also, take property that has come over their road where they have had the benefit of through freight, and they will sometimes make a special rate on that property, if it is not unloaded, to an interior point back from Philadelphia. The roads are very accommodating. For instance, I frequently buy property before it is received, and I order it to Philadelphia and I sell it in transit, as we call it, and then have it stopped off at some of these points. That is a matter of accommodation merely.

Senator GORMAN. That they do.

Mr. TOMLINSON. That they will do if it is possible. Sometimes the order will not be given until the car has passed the given point. They will not be responsible for any neglect of their officers to do that, which is very proper, and it may get through to Philadelphia. If I do not sell it in Philadelphia and it is not unloaded, they will give a moderate rate in abatement—in some cases they have done it—to go back to that interior point. Of course in that event the freight is greater. That is not a discrimination that I would object to.

Senator GORMAN. That is very extraordinary. It is the only statement of the sort I have heard in relation to any of the trunk lines, that they adopt that rule.

Mr. TOMLINSON. They have done it for me for years. I hope the statement will not prevent their doing so in the future. I do not think it reflects on them at all.

Senator GORMAN. On the contrary it is the reverse.

The CHAIRMAN. It is a matter of accommodation on their part.

Senator GORMAN. I have never heard of any other trunk line that pursued that policy.

Mr. TOMLINSON. I can only speak from personal knowledge.

Senator GORMAN. Is it so on the Reading road, as well as the Pennsylvania?

Mr. TOMLINSON. It is now; the Reading has not always done it.

#### WATER ROUTE COMPETITION.

Senator GORMAN. How are your rates affected, for instance from Chicago, during the months when the Erie Canal is open?

Mr. TOMLINSON. They are lower. They are apt to be lower in the summer time, and I presume it is on account of the lake and canal rate being lower. I do not think that there is more difference in that rate than would be proper considering the greater expedition by rail. I do not know whether any other reason exists, but I think that is a good reason.

Senator GORMAN. You think it has a controlling influence?

Mr. TOMLINSON. Of course it has an effect.

Senator GORMAN. Then I suppose you would advocate a very liberal appropriation on the part of the Government to keep up the water rates?

Mr. TOMLINSON. I do not know that I would personally. Any thought I have given this subject is rather narrow, such as concerns my own immediate business. I do not know how it might strike another person.

Senator GORMAN. If one water line has the effect of decreasing the cost of transportation, do you think it would be a wise thing for the Government to improve the rivers?

Mr. TOMLINSON. If they were very sure that the water route was practicable, that it would not be a sinking fund, I think some improvement ought to be made.

#### JAMES SPEAR'S FURTHER STATEMENT.

JAMES SPEAR reappeared and said:

#### WATER ROUTES.

I do not think you asked me any question about water improvements. I object very much to the Government appropriating large sums of money for the navigation of the Mississippi River. I do not see why they should open a river communication at the public expense unless they would make the same appropriation to railroad companies. One is just about as much in the interest of the public as the other.

Senator MILLER. You think the Government ought to keep open the harbors so that ships can get in from Liverpool and the rest of the world to Philadelphia, or would you let the harbors fill up?

Mr. SPEAR. That is a different thing from making a water communication throughout the country on a river that is all the time washing away.

Senator MILLER. Your harbor is all the time filling up and requires a great deal of money to be expended by the General Government. Why not let the city do it? So of the Delaware River.

Mr. SPEAR. The Government has spent on the Mississippi River over ten thousand times greater for the amount of advantage it receives than what we get for our rivers here. The Government discriminates very much against the large cities. I have looked into that very carefully in regard to the amount of money spent on the Mississippi River, and the amount of benefit the public receive from it. Here is a city of near a million people, and very little money has been spent here.

The CHAIRMAN. I have voted for considerable money to be expended here, myself.

Senator GORMAN. The railroad people make a statement substantially—I do not give the exact figures—that since the improvements on the Mississippi River at the jetties were completed the effect has been to decrease the cost of the transportation of grain alone to Boston, New York Philadelphia, and Baltimore, so that the aggregate saving to the consumers is more than ten times the aggregate cost of improving the Mississippi River. Have you ever looked into that question?

Mr. SPEAR. No, sir. I should not think there were enough people in New Orleans to eat all that grain.

Senator MILLER. It goes to Europe by way of New Orleans and could not get out of the river until the jetties were improved.

Mr. SPEAR. If they wanted it in Europe they should pay the freight on it.

Senator GORMAN. But look at the effect, not only on Philadelphia, New York, Boston, and all the Atlantic seaboard, but the whole general interest. Have you given that subject considerable thought which justifies you in saying that you would not make the improvement?

Mr. SPEAR. I do not say I would not make the improvement, but I think the amount of money spent on the Mississippi River is out of proportion in resulting benefit to the community to that which is spent on all the Eastern rivers. You appropriated \$20,000,000 at one time, I think, and \$18,000,000 at another, for the improvement of the Mississippi River, and to me that seems a large sum of money to be expended there.

Senator MILLER. Have you any idea when any such appropriation as that was made?

Mr. SPEAR. Nothing but what I see in the newspapers, and they are generally very correct.

Senator MILLER. That is a good compliment to the newspapers, but there has never been any such appropriation to the Mississippi River since I have known anything about the river.

Mr. SPEAR. That is all I would say.

#### G. W. C. CLARKE'S STATEMENT.

GEORGE W. C. CLARKE appeared and said:

My business now and latterly has been in connection with the press, but I have been the legal adviser of railroad companies and commercial bodies, and have paid particular attention to railroad and transportation matters. A friend of mine in the city, one of our merchants, asked me to drop in and listen to what took place to-day.

The CHAIRMAN. You have been listening; now give us your views about this business.

#### NATURE OF THE RAILROAD.

Mr. CLARKE. In the first place it occurs to me, watching the direction of the questions put by the committee to the gentlemen who have appeared before you, that there appears to be some misapprehension in the minds of the gentlemen here, as I have found elsewhere, as to the alliance or comparison between river, lake, and sea transportation and railroad transportation. It seems to me *in limine* that there is a great disparity and difference between the two courses. The railroad is the successor in modern civilization to the ancient highway, where every one had a right to go, and in the old countries provision was made that people should be permitted on paying certain tolls to run carriages and trucks upon the roads, and the tolls were published and obliged to be printed in very legible characters, not so fine in print as one gentleman who has spoken found in Belgium at some time, but very legible, so that he who ran might read them; and then a reservation was made that the kingdom or government might possess those railroads. Of course all these facts are known to the committee, but they are not so well known to our mercantile community in the progress of their rising and prospering in this new country.

#### EMINENT DOMAIN.

At the very basis of all this inquiry lies the question of eminent domain. The people of the separate States of America have given certain corporations privileges, granting them the right of domain on the consideration in some States—I am sorry to say not in all—of giving proper compensation to the persons from whom the land was taken; and on this *prima facie* case that the property so taken should be used for the benefit of the public the railroad became clothed with that public trust; and then on the side of that was the common law as to carriers, so much misunderstood over here, partly through the issue of cases which was so emphasized just now, and as came out this morning from one of the witnesses before you as to jewelry.

#### LIABILITY OF COMMON CARRIERS.

The common law, of course, is that every common carrier should be liable for what he carries, and years ago, in the reign of one of the Georges, the statute law amended the common law by declaring that all persons who conveyed through the hands of common carriers valuables, such as jewelry (which those gentlemen mentioned who came from New York) and silks and other things, should declare their value and possibly pay a higher rate. The only question reserved was to gain the common law of extortion, that no one should be extortionate as a common carrier in charging these rates. The great question in the law courts in Europe and in this country relating to that feature has been this: the people have tried to carry merchandise as baggage, or, as they call it in Europe, luggage, which on the face of it was unjust to railroads. Therefore that is one of the grievances supposed.

#### A NATIONAL COMMISSION.

The CHAIRMAN. You have been hearing the gentlemen who have spoken to-day in reference to complaints against transportation com-

panies. What have you to say about them in this country as things now exist?

Mr. CLARKE. As things now exist I have taken so far as I could a consensus of the views of merchants and manufacturers from Maine to California upon this question, and actually in those two States, and the general direction of the mercantile community, so far as I have been able to gather, is in favor of Congress establishing a commission.

The CHAIRMAN. For what?

Mr. CLARKE. For the purposes of taking up very much the work of the railroad department of the board of trade, which is a branch of the Government in England; very much also on the pattern of the Massachusetts commission, which has worked admirably under Mr. Adams and others. There was a considerable objection to establishing a State commission in New York. That was the fact, as the Senators are aware. It has already been productive of good, but the opposition was very violent. It fortunately happens that those who most violently opposed the appointment of that commission now say that it was a very good thing; and friends of mine, who are railway officials, are amongst those who say that they are very glad the commission was appointed, although they were very much opposed to it originally. In other States I know opposition was very strenuously exercised before the appointment, and there has been great gratification since.

The CHAIRMAN. What has the influence of the different commissions been, according to your information; has it been to give the people any relief or protect the railroads?

Mr. CLARKE. In the nature of the case it is absolutely a fact—it could not be otherwise—that the people are benefited by it; the trade, the commerce, and the convenience of the people, employers and employed are subserved.

The CHAIRMAN. You say you have been connected somewhat in former times with railroad business?

Mr. CLARKE. Yes, sir.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. Is the question of long and short hauls familiar to you?

Mr. CLARKE. I have heard it discussed very largely, and I have been engaged in legal questions brought before the highest tribunals in England on that question, and, of course, here.

The CHAIRMAN. Has your practice been in England?

Mr. CLARKE. I have been associated as advisory counsel in this country. I am a member of the bar of two States and of the United States, but I retired from practice some years ago, having further need for it at that time. As you are aware our statutes and some of the English statutes apply to this very State in which you are now sitting; the common law particularly prevails here. The old principle of legislation, taken to the highest courts of England, has been that the companies, railroad carriers, should not annihilate the effects of distance; that is to say, the man at the shorter distance should not pay so much as the man at the longer distance. In other words the short haul should not pay so much as the long haul; there should be pro rata mileage. That is a fundamental rule of the decisions of the law courts of England, known, of course, to you Senators. This principle has been very generally discussed; it underlies all the legal discussions in Europe. In Belgium, France, and Germany, as you are



ware, the Governments own part of the railroads, In Belgium, where the Government does not derive so much profit from certain lengths of railroad in comparison with certain other lengths—the reason is because those certain other lengths had local advantages for the creation of traffic. Of course, a railroad running through the plains in our western country would not have the same advantages that the Pennsylvania or the New York Central has here.

#### GOVERNMENT OWNERSHIP OR SUPERVISION.

You have to consider all the local circumstances before you come to a conclusion as to Government or private ownership. The day may probably come when the Government may own; but I am quite sure of this, and I only wanted to state that fact with some emphasis to this committee, that while you Senators have been devoting yourselves to so many matters connected with the country, I have, with a few others, paid a great deal of attention to cheap transportation and to the Government supervision of railroads, and I would sum up briefly what the result of that investigation and attention has been. It is this: Without supervision you have roads constructed sometimes where they are not wanted, which cannot exist in other countries, because before a railroad is constructed the people have the opportunity of putting in their evidence in all the countries I have mentioned, running back to England, Scotland, and Ireland, and are heard before committees of both Houses of their legislation.

The CHAIRMAN. Do you understand that the Congress of the United States can control the question of the construction of railroads situated as we are with the several States and their separate jurisdictions?

Mr. CLARKE. No; but I think that possibly the day will come when the governments of the several States, acting in concert with the National Government, would lay down certain rules as to the construction of railroads. They might have a convention, nominating persons to attend it as their representatives, and have a common system. We are drifting to that idea as to other things, and it will come to railroads, so that there may be a concerted action between the States, and, though some people fear centralization, the necessities of the case will require combined action.

Then, after the construction, of course comes the management. There the Government has the power, under the Constitution of the United States, as to interstate commerce. That is now decided by the courts and accepted by the public; that is beyond dispute, although it has been disputed. Then, as to that, the rules for governing freight and passengers should be very much supervised—that would be the proper word—at first. Some day it would be controlled by a commission or department of the Government.

There are many men who are far-sighted, and who have given this matter a great deal of deep thought, who would like to see a department of the Government forthwith having control of the transportation of the country. It is certainly as essential as the postal department, and there are not a few of those people who would like to see telegraphy also and savings banks under the control of the Government.

The CHAIRMAN. You think there ought to be a supervisory power. How far do you think we should go now?

Mr. CLARKE. Very much on the basis of the Massachusetts commission. One refers to that simply because that is better known than any explanation one could give. The sooner that is done essentially the better.

## GENERAL VIEWS.

I need not take up your time by referring to the Granger movement which did much to break public confidence in our investments at home and abroad. I could give you instances since that of these ruinous cuttings and complications, but as it is almost time for the committee to adjourn I should like to have the privilege, even if subsequently you consign it to the waste-paper basket, of submitting to you a statement in writing that your secretary can take charge of, covering what I have said and something more.

## DISCRIMINATIONS IN COAL AND SALT RATES.

You were inquiring of a gentleman as to coal and other matters, as to the method of depositing coal in Massachusetts at a price as cheap as here. Of course it is known to the Senators that salt can be brought and is brought to-day from Liverpool and laid down in Saint Louis, a city with which I am very familiar, at the same price of freight that it costs to bring it from Michigan to Saint Louis, thus coming in competition with our native production. We know it is brought over; ships go away with cotton from New Orleans to Liverpool, and they bring back salt as ballast. Then the railroad companies from New Orleans to Saint Louis, meeting the exigency of the case, and to make traffic that they are a little short of, lay it down in Saint Louis at the same price it can be brought from Michigan; and, therefore, that salt comes in competition with the Michigan salt, which some Senators were inclined to kill altogether the trade in by taking off the duty.

## SUPERVISION OF WATER-ROUTE CHARGES.

Senator GORMAN. You are very decided in your conviction that the matter of interstate commerce ought to be looked into or regulated through a commission with the powers you have described. In your opening remarks you spoke of the conditions under which railroads were constructed first in England, that is to say, that everybody had a right to put a car on. That was so in the chartering of the earlier roads, the Pennsylvania, the Baltimore and Ohio, &c., but it was found impracticable.

Mr. CLARKE. It was probably known to be impracticable, but it was to preserve the right of the people on the theory of the highway, a substitute for the highway.

Senator GORMAN. That same idea ran through the canals and does to-day that the right of any man to put a boat on a canal or river, or a car on a railroad would regulate the matter of charges to the public. It has been a failure with the railroads and, in point of fact, a failure with all the water routes of the country; that is to say, the economies of transportation, as experience has shown, can only be had by a concentration of capital, so that all the lines to-day, coastwise and on the interior waters, are run by strong combinations just as railroads are.

Mr. CLARKE. As far as steam goes.

Senator GORMAN. Would you regulate or supervise the charges by those lines as well as by rail?

Mr. CLARKE. No, sir; and for this reason: The railroad is owned by a corporation created by the State, and is the property of that corporation; not so the ocean, and you were speaking of the coastwise trade. Take as an illustration the Mississippi River; that is public property;

that is a highway on the water instead of on land, and, therefore, just as before we had railroads, any coach or any other conveyance on the road could do just what it liked and the Government never was troubled as to interfering with roads so long as they were not extortionate and so long as they charged everybody alike, other things being equal; so on the Mississippi. I would not undertake to regulate charges as long as they were not extortionate, and the courts would do that because the *prima facie* conditions are so opposite. Here you create a corporation and you have a right to follow it through, because it is, in the nature of it, a monopoly; as you have said, practically no one else can run trains over the Pennsylvania Railroad but the company, even if all had the right to-day, because it would not answer the purpose, but you or I can put a sloop on the river to-morrow, or a brigantine, or anything else. The cases are different.

Senator GORMAN. You have the right to do so, but practically nobody except a corporation can or does do it to any extent.

Mr. CLARKE. We have the right to do it, and there it is. We must thank Providence we have a good deal of saving left to us. Now other people own our steam communication, which ought not to be, and if you learned Senators in your proper places would give the requisite subsidies next year to the American steamship lines that are or that ought to exist, as France does, as England notably has done, as Italy has done, as Spain has done, and as Von Bismarck is doing, we shall have plenty of steamship lines. We have sailing vessels still, thank the Lord.

The committee adjourned until to-morrow at 10 a. m.

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PHILADELPHIA, May 29, 1885.

The committee met pursuant to adjournment.

### PROF. E. J. JAMES'S STATEMENT.

Prof. EDMUND J. JAMES (of the University of Pennsylvania) appeared and said:

I should like first to indicate the general position which it seems to me is destined to be the prevailing, and is the sound, view in regard to the attitude of the state towards the railway.

#### RELATIONS OF THE STATE TO THE RAILWAY.

It seems to me that the general drift of court decisions in our country and foreign countries, and certainly of legislative enactments and public opinion, is in favor of having the road-bed regarded as a public highway, and as such subject to all proper regulations suitable to such institutions. Owing, however, to the technical nature of the management of the railway, at least in our present form of industry, it is necessary to intrust the management to one agent; and owing furthermore to the immense amount of capital necessary to develop it, such agent is in our present industrial state a corporation. There is, therefore, to my mind a threefold reason why the state should take a peculiar attitude towards the railway. It is a corporation, in the first place, which, of course, means that it is a fictitious person created by the public for the benefit of the public. There is no other reason for the existence of the corpora-

tion except that it shall serve public interests in some shape or other. It is furthermore a monopoly, and as such stands especially in need of control. Finally, it operates and manages a public highway, which gives the state an additional reason.

These points, it seems to me, prove pretty conclusively that the authority of the state in the way of regulation is very far-reaching and detailed, extending if necessary to securing the interest of the public, even to the fixing of tolls and the determination of the number of trains and the time they shall run. The question, then, as it comes before us to-day in this country, is whether such regulation is necessary or not.

#### DISCRIMINATIONS BY RAILROAD CORPORATIONS.

Under practical conditions the railway companies have the right to discriminate, at their discretion, for any reason that seems to them good. Now, it seems to me that there are several very important results affecting the industry of the country which it is necessary for us to keep in mind. In the first place it displaces natural industry and capital, it forces men who are carrying on manufacturing, it forces communities or corporations, instead of going to those places where they have natural advantages for their business, to go to those places which are favored by the interest or caprice of these corporations; that is to say, it substitutes for the natural principle of development of the country an artificial one, making it practically within the power or determination of a railroad company to determine whether an individual shall locate his business in the most advantageous place naturally, or whether he shall be forced to go into some other position. We had an instance of that, as the case is ordinarily told and was reported in the papers at the time, in the case of the dead meat trade. There is a natural reason, it seems to me, why the people of the East should be able to get dead meat shipped to them directly from Chicago in a very much healthier and better condition than that same meat brought here in the form of live stock and butchered in our shambles. It could be brought from Chicago under proper conditions in a very much better state. When that industry began to grow, a few years ago, and it seemed as if it would revolutionize the whole conditions of the meat trade in the Eastern States, the butchers' unions in the various cities went to the railroad officers and told them that if they carried the dead meat at the same rate as the live stock they would have only one car-load to carry instead of two. The consequence was such an addition to the rates that the growth of the dead meat trade was practically stopped.

The result of that, of course, is that the whole industry of the country takes an entirely different and an artificial turn, and that owing to the fact that we give to the railroad corporations the right to make discriminations.

There is another point. If railroads are allowed to discriminate between large and small shippers, of course the trade and industry of the country will be more and more in the hands of large combinations of capital; it becomes simply impossible for the man of average or small means to enter into any branch of industry, to carry it on, and compete on the same terms. If, for example, a man finds that in a certain place for the manufacture of iron there are special advantages, such as the proximity of coal-beds and of deposits of iron ore, and that therefore it would be naturally, under ordinary conditions, the best place to carry on that industry, the first question he has to ask is whether he can get

special rates from the railroads, in order to compete with somebody else and get out to the public. That is, the public as a whole have no benefit from these special advantages as long as the railroad companies are allowed to discriminate against localities and against individuals.

The result of that is that the system of large industries is especially favored by the transportation system of the country at the expense of the small industries. That is certainly one of the most remarkable phenomena of modern industry, not only in this country but abroad. The same phenomenon showed itself in England and in every continental country, which has been one of the considerations that have induced the governments there to go forward to that system of regulation which they have adopted in nearly all the countries where they have not taken possession of the railway and managed it themselves. If at the same time railroad companies are allowed to discriminate on long and short hauls to the extent at least to which they are allowed to discriminate at present, the effect is to build up the termini of the road or those places which have the opportunity of competition with other places. The result of that is that the in-lying districts are bled all the while for the sake of building up those large places at the termini of roads or at the junctions of roads that have special competitive privileges. As one of the contributing causes we find the enormous growth of cities in our country in the last twenty years. To-day a vast population live in the cities that at one time, perhaps less than a decade ago, lived elsewhere.

There is a certain advantage in that of course, but that process has gone on so rapidly that we stand to-day face to face with the most serious problems in our city governments that we have in our whole system of government, a problem as yet unsolved and unsolvable. We have not as yet solved the question how to secure good city government, and one reason, to my mind, is that our cities have grown too rapidly, that we have not grown in our experience of them to such an extent as to be able to solve these problems, and this system of discrimination in favor of termini as against the in-lying districts has been one of the great contributing causes of the enormous growth of cities.

There is another point of view, and that is that as long as this system of discrimination is allowed there is no use of trying to regulate the industries of the country by a system of tariffs. Every man can think of a tariff, whether it should be added for so-called protection or only as revenue. Every duty laid has a specific effect, but unless we can determine beforehand what that effect is likely to be, the tariff result must be quite blind. If we allow railroad companies to fix their rates as they please, to discriminate as they choose against communities and individuals, when a tariff is once laid we cannot tell whether the whole effect may not be counteracted by a change in the railroad rates. The case was quoted here yesterday, I believe, by a gentleman engaged in the window-glass manufacture, of certain things imported from England that were sold in Pittsburgh at the same rate as in Philadelphia. I understand that there are still more striking examples than that. Steel rails have been laid down in Chicago at practically the same rate as they could be laid down on the Atlantic coast; a change in rates was made corresponding to the changes in the tariff.

The same kind of phenomenon exactly has happened in foreign countries. In 1876, in Germany, one of the most striking cases occurred. The legislature concluded that they wanted to protect the iron industry, and they raised the rate of duty on iron. The railroads said, "If the duty on iron can be raised, and consequently the price of iron raised to consumers, it looks as though they could afford to pay more for it; and

why should we not raise our rates, take that money, and put it in our own pockets instead of allowing it to go for the benefit of the industry for which it was intended?" The result was that they put the rates up, and then the Government was forced, in order to remedy the matter, to go forward in the policy which it had already adopted, of acquiring possession of the railroads, until now, I believe, in the Kingdom of Prussia, with nearly 20,000,000 inhabitants, there are only a few hundred miles of private railways. The Government found itself forced to have them, because it was absolutely impossible to regulate the tax and tariff system of the country without in some way regulating the railroads, and their solution for it was Government ownership, which, of course, is not a practical solution for us at present.

Senator MILLER. When you speak of Government ownership in Prussia, do you mean in the present State of Prussia or the German Empire?

Mr. JAMES. The Kingdom of Prussia. The empire has only a small part of the railroads. In the state of Prussia, the Prussian Government owns substantially all the railroads, whereas the railroads in the southern kingdoms are still largely controlled by private individuals and not at all by the Government, even by the Imperial Government at Berlin. In Bavaria there is hardly a private railway; it is all State railway, but it is State railway in the sense of individual States such as ours would be if our States practically owned and operated the railroads.

It seems to me very evident that something must be done, and the question is, what is the best remedy? I think that the first thing to be done, and it must be done sooner or later, and I think the best time to do it is immediately, is to forbid absolutely discrimination between large and small shippers. Of course it is said that where there are certain technical reasons why railroads should discriminate between large and small shippers; it is easier to handle a large shipment than a small one; it is easier to make one contract with a shipper in regard to a large lot of materials than it is to make special contracts with a number of individuals.

In the first place, in answer to that, I think there is some justification in that statement, but at the same time in very many of the cases the problem does not come up in that way. For example, take the case of shipping grain from Chicago. We find that in one elevator there are millions of bushels of grain to be shipped. Why is that shipped at all? It is not shipped because there is a large shipper there, or because there are a number of small shippers, or because it is to the interest of the railroad company to carry the grain, but because somebody wants it at the other end of the line. The amount to be shipped will be determined in the long run by the demand for that corn in England and the European market in general. Whether the corn in that elevator is owned by one individual or by thirty or forty, so far as it is going to be carried, is a matter of indifference to the general transportation interests of the country.

As a matter of fact, we find that a case comes up in this way: There will be, say, forty or fifty owners of that one lot of grain, but when the railroad goes to ship it all comes in exactly the same way from a common elevator, not thirty or forty, each shipping his own goods. The amount to be shipped is determined by the owners, according to the varying market rates and the opportunity to sell when they get to the end of the line. As a consequence, the force of this objection, it seems to me, is not nearly as great as that which is generally allowed to it. At any rate, as a matter of fact, we know very little about the

actual facts in the case. I doubt even if the railroad companies themselves know how much cheaper it is to handle for a man who has a million bushels to ship instead of a man who has only 250. They have not been able to get this information very largely to themselves. We have not as yet, by any machinery that any of our States have set in operation, got hold of the facts of the case, and they, it seems to me, it is most necessary to have in order to determine whether this objection which railroad companies make to such a proposal is well founded.

But even if that were true, it seems to me that owing to the intimate connection that the transportation business has with every industry in the country, owing to the fact that it determines whether a section of country shall be developed according to its natural advantages, whether communities shall grow as they expected they would grow when they settled in certain localities, whether an individual can carry on his business as he had a right to expect he could if he goes to a place where he can get the greatest natural advantages, and owing to the fact that the railways are operated as highways, it is as absurd to allow a private railroad company to discriminate between shippers, considering that they own and operate these public highways, as it would be for the Government to make a discrimination in the case of large importers in paying import duties or in the case of the man who paid a large sum of taxes or who bought a large lot of postage stamps instead of a small amount.

So then if the technical objection be even well grounded, which I must say from a very great deal of consideration, I do not think we are yet in a condition to make final judgment upon, the importance of it is out-borne by the importance of the other fact that it is absolutely impossible, if we allow that discrimination, to secure that well balanced development of the industries of the country, which shall place them out of the reach of individuals and corporations.

It may be said, of course, that the railroads have no interest in making these discriminations other than such as are based on some sound and material reason. It is evident to everybody who has looked into the matter, it is certainly evident from the newspaper reports we have from time to time, that it may very well happen that the interests of the officers of a given corporation are not only contrary to the interests of the public but contrary to the interests of their brother stockholders in the company. It is matter of common charge, in the West anyhow, where most of our so-called Granger legislation has been organized and passed, that special rates are made to large shippers, not because it is in the interest of the railway, not because it is in the best interests of the transportation company, but because the individual officers are enabled to profit largely by making those special rates. Whether that be true or not it is easy to see that it is a perfectly possible case that a man who has the right to make these discriminations may be willing for his own interest to make discriminations that are not based on any sound reason for the railroad company, because he can receive a more immediate return in some other way than in the extra earnings that might fall to his lot if his individual share in the railroad should be increased by the increased rates.

I believe that we shall finally have to go forward, though probably we are not ready for that yet, because we have not sufficient facts on which to base a conclusion, to the further absolute prohibition of discrimination between long and short hauls. I believe that ultimately that will be the end to which we shall come, exactly in what way I do not think is clear yet, because the information, at least that I can ob-

tain upon the subject, is not sufficient to justify the formation of an ultimate judgment.

I have followed, so far as I could, the evidence taken by the committee in the various places it has been so far as I could find the fullest report, and it does not seem to me that on these particular points the information which is being given to you is that which is necessary to form a fair judgment as to whether, for instance, this objection of the railways in regard to their industrial right to make discrimination is based on sound technical reasons or not. It seems to me that is one of the most necessary things to get hold of.

#### STATE REPUTATION.

Now, the question is if these be sound principles, who is going to apply them? The history of our attempts in the States, it seem to me, has proven amply that our States have gotten where they have organized their commissions and passed their laws about as far as they can get in the system of regulation. Massachusetts, for example, has gone about as far as it can go and accomplish any good results. A proposition was made before the legislature of Pennsylvania this winter at Harrisburg to establish a State commission and give it certain powers. The objection was made by the railroad companies interested that if that were done it would simply operate to throw the traffic into the hands of competing railroads in New York and to the South. There is great justice in that consideration. That alone has sufficed for this session to keep our legislature from passing any such law establishing a commission and giving it these special powers.

Senator MILLER. Does your legislature know that New York has had a railroad commission for several years with powers quite as great as those of Massachusetts?

Mr. JAMES. They all know that.

Senator MILLER. And yet the argument you have mentioned is made against Pennsylvania establishing a commission?

Mr. JAMES. Yes, and just such an argument was made in New York at the time the commission was established there as is made here.

Senator MILLER. It has not so far resulted in New York in any such consequence as that anticipated, of throwing the trade outside of New York.

Mr. JAMES. I do not think, as far at that is concerned, that that argument is a valid one, but the only point I want to make is that it serves, and I think very decidedly, to prevent the legislature from doing anything at present. It will not last very long, simply because the discontent of the people is growing so rapidly that after a while it will be impossible for a legislature to get together and adjourn without doing something, just as it was in the West before the Granger legislation was passed. Years before that you could not get any hearing for anything of that sort, but finally the revulsion in public sentiment was so great that the legislatures had to act, and something was done. So it will be here. At the same time, suppose they do that; it is impossible to regulate interstate traffic by the State laws. Suppose, for instance, Illinois should pass a law saying that all the roads in that State should carry grain for so much a bushel per mile. The Pennsylvania Railroad running into that State from this through a short distance could charge what it pleased and still say, "We only charge so much in Illinois, but we charge more in Indiana and Ohio and Pennsylvania," and in that way get out of the control on the part of the State of Illinois. I think, therefore, it must come into the sphere of the National Government.



## A NATIONAL COMMISSION.

From some considerable study of the administrative side of the question it seems to me that the only outcome of it is to be a national commission with ample powers to execute, the fundamental law of anti-discrimination, with the power to secure absolute publicity in regard to all railroad matters. I think the time has come when the people of the country, both stockholders and the public, will take the attitude that the railroads have no right to conceal the facts in regard to their business. They are semi-public corporations, and they have no more right than would a turnpike company which is operating a public highway to conceal all its business if it be found necessary to make that business known in order to protect the interests of the public.

Senator GORMAN. You mean so far as rates are concerned?

Mr. JAMES. So far as rates are concerned and rebates and things of that sort. When this national commission is established to carry out this law, it seems to me it must be allowed to make its own decisions and regulations, and they should stand as law until a statute repeals them. That is the only practicable way.

It is objected to this kind of a scheme that we do not know enough yet to make it advisable to undertake any such thing. That is the same kind of objection which has been made in every one of our States against a railroad commission. How are we ever going to find out these facts? We never shall find them until we attempt to do something, to find what the weak points are and advance to meet them in what seems to be the best method. I think the National Government will be compelled to take hold of it and establish a national commission, which will be practically a series of courts with powers of justice and administration.

Senator MILLER. I understand that you would give the commission power to see that there was no discrimination, and to enforce regularity and publicity of rates?

Mr. JAMES. I should.

Senator Miller. Would you give the commission power to absolutely fix rates?

Mr. JAMES. I should not now, because I do not think we know enough for that.

Senator MILLER. You would leave the fixing of rates to the railroads, the commission exercising the power to see that they are equitable as between shippers and that no discrimination exists?

Mr. JAMES. Yes, sir.

Senator MILLER. Would you give the commission judicial powers so that its findings on a question of discrimination should have the same force as those of any court of law?

Mr. JAMES. I should.

Senator MILLER. That, of course, would carry with it penalties.

Mr. JAMES. Yes, sir.

Senator MILLER. I want to get everything down to a practical point.

Mr. JAMES. It seems to me that is the only practical way.

Senator MILLER. The great difference we find among railroad men, so far if we find any difference, is the question as to what shall be the powers of the Federal commission, whether they shall be merely advisory or not. The Massachusetts commission, as the New York commission, has only what may be called advisory powers. It can hear all cases of complaint as to discrimination and in other respects and make recommendations, but it is not empowered to give a judgment which can be en-

forced as regards discrimination or unjust allowance or anything of that kind. As I understand you, you think it necessary to go further than that at the beginning with a national commission?

Mr. JAMES. Yes, sir.

Senator MILLER. If you have a law forbidding unjust discriminations, would you give the commission the power of a court to enforce that law and pass a final judgment as to what was an unjust discrimination as between any two shippers?

Mr. JAMES. Yes, sir.

Senator MILLER. But you would not give the commission the power at first to fix rates?

Mr. JAMES. I should not. I do not see how it is possible to make such a commission of any value unless it has this authority, because if we pass such a law as that and allow cases to come up under it, allow litigation to be increased as it would enormously and thrown on our ordinary courts, it would simply lead to a blockade of their business, or we should have to increase our ordinary courts to such an extent that the responsibility would be the same if we put it originally in the form of a court in the hands of the commission, and the whole business of the adjudication would be so complicated as to do more to hinder than further ends we want to reach.

Senator MILLER. Suppose we had a Federal law forbidding discriminations within certain limits and that the commission were authorized to hear all complaints under it, and then to certify its finding together with the hearing before it to the district or circuit court of the United States as a final appellate court to decide as to whether the finding of the commission was correct and to enforce the law against discrimination, what would you think of such a plan as that?

Mr. JAMES. I think it would be a very roundabout way and one likely to impede more than further the purpose.

Senator MILLER. Then by your plan you are originating a court from which there is no appeal?

Mr. JAMES. Absolutely none.

Senator MILLER. That is hardly in accordance with our customs in either State or Federal affairs. In almost any case at least one appeal is allowed.

Mr. JAMES. I do not think it will be practicable to have a single commission to hear every case that should come before it. It seems to me it would be a necessary consequence of such a system that there be a series of inferior commissions which would be practically inferior courts.

Senator MILLER. Would it not be much better to have a larger commission having a larger number, say one for each judicial circuit, who together should form the commission for final hearing? If you undertake to have subordinate commissions and then a supreme commission, you are organizing at once a series of courts.

Mr. JAMES. I think the most practical way of reaching the thing is a series of courts.

Senator MILLER. What is the course of the law in England in regard to this?

Mr. JAMES. I cannot tell you exactly.

Senator MILLER. My understanding of it is that the English law forbids unjust discriminations, and the commission may try the case and where the railroad fails to abide by the decision of the commission it must go to the courts for final hearing and determination of the fact whether or not the particular case was a case of unjust discrimination or not. I may be misinformed, but that is my understanding of it. I

wanted to call your attention to the idea in order that you might give thought to it.

Mr. JAMES. I think the only way that can be decided is by a practical experiment.

Senator MILLER. It is rather against the principles of our governments, both State and Federal, I think, to say that there shall be a court in the first instance from which there shall be no appeal. The question is whether our people would consent, whether it would be in accordance with our ideas of government, that in matters of this kind there should be a court which takes cognizance of a case in the first instance, from whose finding there is absolutely no appeal.

Mr. JAMES. I think we should come to that; if it be found, for instance, that in trying some other method, one perhaps that would suit the public more, it should not work. The public as a whole is getting to a point where if something is not done beforehand in a thoughtful and careful way, something very hasty and ill-advised will be done. By inaction we are damming up a certain force which after a while will show itself just as the first attempts at regulating the matter in the West did and will show itself in the same way in national legislation unless something be done and that right quickly.

Senator MILLER. If you should give the commission the power to decide without appeal, it would amount in effect to giving them the power to fix rates.

Mr. JAMES. I think we must ultimately come to that.

Senator MILLER. It would come to that in any specific case. At first suppose there is complaint between two merchants in Philadelphia of the rates from Chicago to Philadelphia, one paying more than the other. The question must arise on the trial of that case whether those rates are just and proper, and which rate is too low; that will come out, and if the high rate is too high it will come out on the trial, and the final decision of the commission from which there could be no appeal would result in practice substantially in fixing the rate between Chicago and Philadelphia.

Mr. JAMES. I think it would result in this probably at once, and that I think would be very desirable, one of the things that I have in mind as a result of the commission, and that is the fixing of maximum and minimum rates. I do not think it would lead necessarily to fixing the particular rate.

Senator MILLER. It would result, as I said, in showing that the low rate charged to one shipper was lower than the road could afford to transport for. It would show on the other hand whether the higher rate to the other man was higher than it need be for the profit of the road. From this the deduction would be drawn as to what was a fair rate between Chicago and Philadelphia, and the moment you had that put into a suit at law and proved it by compelling the railroad courts to decide exactly what it cost to do the business, that moment the railroad company would find itself in a condition where it could not charge more than a fair profit, and it would amount to fixing the rate by public opinion as well as by law. I am not saying that that is objectionable; but you started out with the proposition that you would not give the commission power to fix rates. Half a dozen trials of that kind in this country would undoubtedly fix the rates, because they would publish to the world what was a fair rate from Chicago to Philadelphia and the railroads would all have to come to it, they could not stand against it.

Mr. JAMES. I do not think it would come out quite in that way from this fact, that in the very nature of the case what a fair rate is varies

from month to month and year to year. A fair rate to-day, for instance, is very different from what a fair rate would have been five or ten years ago.

Senator MILLER. That is very true, but what the fair rate to-day is and the fair rate next month is not likely to vary very much.

Mr. JAMES. A month would be a very short time over such a distance as that, and consequently that would cause a continual revision which would finally result I think, as you say, ultimately—and I believe that is what we shall come to in the long run—in absolute fixing of the rates and absolute publicity.

Senator MILLER. Have you anything else to say on that point?

Mr. JAMES. I have not any earthly interest in this except that it is a subject to which I have given a great deal of attention, to which I am giving a great deal of my time now, and it seems to me a very desirable thing that the National Government should, among other things, provide a commission which shall have for its object the ascertainment of the facts in regard to these things, not only in our own country but abroad. The same questions have come up in every European country, and the governments there have been forced, some in one direction and some in another, in attempting to solve the same problem. As to whether a given rate is fair or not in Germany would not give us any idea whether it is fair here; but if it be found, on the basis of the accounts which have been kept for twenty years by which to get at the absolute facts, that there is a certain ratio between the rates at which a company may handle large shipments and small shipments there is a result there which if properly applied would be of very great advantage to us. Yet we have not those facts and we have not any man who has time on his own hook to go and study them. We shall find in every one of those foreign countries some results of their railroad system which it would be valuable for us to know, and I do not see how we are going to get at them unless the National Government takes hold of the subject, and it is legitimate, proper, and necessary, unless we want to work at this blindly, as we are doing now to a large extent.

#### LONG AND SHORT HAUL.

Senator MILLER. Did I understand you to say that you think eventually we must come to the doctrine that the charge for a short haul must necessarily be less than the charge for a long haul?

Mr. JAMES. Yes, sir.

Senator MILLER. What do you think as to the present condition of affairs and the present opinion which prevails and which is the law in a number of States, particularly in Massachusetts, that in no case shall the charge for the short be more than for the long haul, leaving it in the power of the railroads to make it the same?

Mr. JAMES. I think that ought to be a part of the law now; I think it is a step in the right direction; but eventually it must go still further.

Senator MILLER. I suppose that comes from your view that these semi-public corporations have no right to destroy the natural advantages of one locality as over another?

Mr. JAMES. Yes, sir.

Senator MILLER. Does not that finally lead to an absolutely pro rata rate?

Mr. JAMES. Per mile per pound; yes, I think they will come to that in two ways ultimately. I do not think we are ready to come to it yet, because we do not know all the facts. We shall come to it. It is the

only possible way to administer a railroad system. That is a point which we dare not in the long run leave to the discretion of individuals to settle. The only way out is to say positively that shall not be done. Of course, there are disadvantages in that. It is certainly a question between choosing two sets of disadvantages, but the set of disadvantages connected with the present organization to my mind are very much greater.

Senator MILLER. Take the case brought up yesterday of sugar being shipped from Boston to Pittsburgh at the same rate that it was shipped from Boston to Philadelphia, obliterating entirely the long line of land carriage between Philadelphia and Pittsburgh and putting Pittsburgh on an equality with Philadelphia, which was originally supposed to have great advantages over the interior because it is situated on navigable water. I understand you do not think these corporations ought to have that right?

Mr. JAMES. I do not.

Senator MILLER. You think they ought not to have a right to thus change the conditions of nature?

Mr. JAMES. I think we are practically to-day in the same condition in a little different form that they were in the Middle Ages when a private individual, if he wanted to do a particular business, had to go and ask the Government for permission to do it. We to-day have to go and ask individual men who are much less responsible than Government. Practically we have to do it to-day, except that instead of getting permission from Government we have to go to private individuals to get it—a much more dangerous state of things in the long run, to my mind.

Senator MILLER. If you were to carry out your statement to its logical conclusion and come eventually after a series of years of experiments to an absolutely pro rata rate do you not then bring about to a certain extent the evil of which you have complained of the building up of great cities as against interior points; Philadelphia, for instance, in certain manufactures located on the sea-board and shipping her goods to all the world over the ocean, has this advantage over Pittsburgh or any interior point?

Mr. JAMES. That is a natural advantage.

Senator MILLER. Which you claim that we have no right to take away.

Mr. JAMES. My idea is that we should conform in legislation to natural advantages.

Senator MILLER. It is claimed by the railroads, and held by many shippers, that one of the great advantages which railroads have brought to our people is that they have equalized the value of land all over the country, that they have equalized values in different localities by making it possible for a man to locate a manufacturing establishment in some interior town, thus building up that town, bringing inhabitants there, giving employment to those who are there, and enabling them to do work as cheaply as it could be done in a great city which was a competing point. For instance, the New York roads have built up manufacturing establishments the entire length of the State, over the New York Central and the Erie particularly, and they have done it by giving such rates of freight that a man can locate anywhere in the interior on the line of either one of those roads, manufacture his goods, and get them into market quite as cheaply as a man who lives very much nearer to the city or to some competing point. The result has been in New York that whilst the city has grown enormously, especially in the foreign grain trade, which is probably due to the reasons you give, on the

other hand, it has operated also to scatter manufactures along the whole 300 miles of road, from New York to Buffalo, at all the intermediate points. Whilst the man who lives within a hundred miles of New York City may think it pretty hard that he cannot get a less rate than a man who lives a hundred miles further, yet if he were to get it and it amounted to any considerable sum, in close times like the present, the manufacturer who happened to be a few miles nearer New York on a main line could of course carry on his business, whereas the man living a hundred miles further off would have to stop.

Mr. JAMES. My point on that is simply that in the one case we have a natural condition and in the other case an artificial condition, and in the long run, out of the natural condition we shall get the greatest advantage; that is, we have to choose between manufacturer A and manufacturer B.

Senator MILLER. The government and people of the State of New York very much desire to have the manufacturing interest scattered over the whole surface of the State, because wherever a manufactory is set up it increases the value of the surrounding farm lands, makes a market, and it is much better to have the manufacturing establishments scattered throughout the length and breadth of the State than to have them concentrated at any one particular point or at any large number of cities or competing points. In that way the wealth of the State of New York has grown very rapidly, and it is very much due undoubtedly to the fact that the railways have so arranged their rates of freight as to permit manufacturing industries to operate all over the State wherever the railroads are. That has been upsetting of course the course of nature, but the question is, and it may be worth thinking about, whether it has not produced better results than if it had been left absolutely to the course of nature as it was under the old system of roadways when there was no escape from it except by the waterways.

Mr. JAMES. The testimony before the New York railroad commission, however, showed that while certain results of that kind were seen to be achieved, yet practically, in very many cases, by allowing the railroads to make that discrimination it put the industries in a certain place at the mercy of the railroads. They can determine whether A or B can come into the market and do anything at all.

#### PUBLICITY OF RATES.

Senator MILLER. No doubt that power exists. If the New York Central or the Erie Railroad want to crush any particular industry or any particular man, they have the power to do it; and that power ought not to exist. That investigation has cured many of these evils. As you suggest, publicity always tends to cure evils. That is the reason you take the ground that all rates ought to be public and the business of the railroad ought to be public, because, then, if there are any evils they will appear on the surface and the roads will find themselves compelled to remedy the evils.

Mr. JAMES. Yes; if you can get public opinion directed on those points through actual knowledge, I think it will do very much to remedy them without the other; but I do not believe we can ultimately get along without the other, and we had better take hold in time.

#### CONCESSIONS TO LARGE SHIPPERS.

I should like to make one other point on the statement the railroads make, that they should be allowed to charge small shippers more than

the large, discriminating in favor of the large, and to call attention to this fact which came under my knowledge, and I take it as a sample fact: In a small town in Illinois, which is reached by one of the chief railways, I know a man who makes a contract with a railroad company to ship, for example, a hundred and fifty car loads of cattle during the year by that railroad. On account of the contract which he makes with them he gets a special rate, so low that no other man in that town can afford to do anything else with his cattle but sell them to this man. How does he ship them? Does he ship the one hundred and fifty car loads at once? No; he ships one car every time he gets it, making exactly the same trouble to the railroad, exactly the same number of checks, and so on, that there would be if each man shipped his own cattle, with the additional work that at the end of the year the man must take all his receipts and go to the office and have the matter settled, which would not be necessary if he did not have that system. The result is that that man has practical control of the cattle traffic in that locality.

Senator MILLER. Is it not the fact that the great shippers of the country do not ship their goods in great masses by train-loads usually, but that they make a yearly contract, and ship from day to day in single car loads, or five or ten car-loads, as the case may be?

Mr. JAMES. I understand that is the plan.

#### UNIT OF TRANSPORTATION.

Senator MILLER. Still the railroads claim that they do injustice to themselves and the public business by making a lower rate to a man of that kind than to a man who comes up with a car-load to-day, but has no certainty of furnishing a car-load to-morrow. What do you think in regard to fixing a unit? You say the rate should be the same to two, but, of course, there must be a unit somewhere. Would you make it the pound, the car-load, or the ton?

Mr. JAMES. I think that the ultimate point to which we shall come, though, perhaps, we are not ready for it yet, is the pound.

Senator MILLER. What do you say for the present, as to making the car-load the unit above which there shall be no discrimination?

Mr. JAMES. Certainly it ought to be placed as low as that, if not lower. As to whether it should be placed lower is a technical question that I should not care to express an opinion upon.

Senator MILLER. Would not this system work: That there shall be for large shippers a rate for the car-load, which should be free to all, and that for all quantities less than a car-load there should be another public rate which should be free and open to all?

Mr. JAMES. I should think that might be a very good practical regulation. I think these are points that we can only find out by actual testing and trial.

#### LACK OF INFORMATION.

Senator MILLER. But they are questions upon which people who have thought of the matter at all have theories, and when we are making the law we must consider what effects that law will produce.

Mr. JAMES. I think it is exceedingly important. So far as I know there are not two men in the country who have made any opinion like what may be called a technical, professional, and authoritative system on the railway problem. You had one or two students before you in New York who have given great attention to it, and their testimony and their writings on the subject show that there are a great many

points which they have overlooked. We can never get at that until the Government is willing to send some one, who by training is qualified to ascertain that sort of information, to go abroad and spend time to get it. I think it would be of great value to us and be worth far more than the money it will cost to get hold of it. There is a great deal of information there which we could use in coming to our conclusion.

#### RAILROADS IN PENNSYLVANIA.

The CHAIRMAN. Do you know anything as a matter of fact about the operation of the railroads in this State?

Mr. JAMES. I do not. All that I get is from the newspapers here.

The CHAIRMAN. I was told yesterday that the people in Washington and Boston were getting coal cheaper than they get it here in the city of Philadelphia, which is so much nearer the mines.

Mr. JAMES. I bought coal in 1879 in central Illinois, at Bloomington, for \$4.50 a ton, that was brought from within 60 miles of Philadelphia, when coal was being sold at \$5 in the city of Philadelphia. That, I should say, was a case of particular discrimination, to haul it to central Illinois and sell it at \$4.50—indeed I call it \$4, for I got it in my bin, 2 miles from the station, at \$4.50—when they were charging here \$5 to deliver it at the cellar, and it was mined within 60 or 70 miles of Philadelphia. Of course that was a discrimination which was in my favor at that time, but since I have happened to be at the other end of the line I have been paying more for my coal, this year and last year, than I should have done if I had been living somewhere else.

The CHAIRMAN. Do you know anything special about the comparative cost of coal now in Boston or Washington, or any other point, and what is paid for it in Philadelphia?

Mr. JAMES. I have not investigated that problem, but it seems to me one of the reasons for that lies in the fact that one combination is allowed to control both the manufacturing and mining business and the railroad business. I think something ought to be devised to restrict a railroad company to its legitimate business, transportation, and absolutely shut off anything else. To create a corporation, which is an individual and lives forever, and extend its powers to do one thing and another, is practically to build up a corporation to do anything.

The CHAIRMAN. Is this done by extending the powers of the corporation, or do individual members of the corporation go into it?

Mr. JAMES. Practically the latter is the system. It is owing to the failure of our laws to reach certain other things rather than to a permission on the part of the law to do certain things, which brings about these results.

#### GENERAL ISAAC J. WISTAR'S STATEMENT.

General ISAAC J. WISTAR (president of the Pennsylvania Canal Company) appeared.

The CHAIRMAN. I suppose you understand that the object of the visit of this committee is to ascertain the views of different classes as to what kind of regulations, if any, should be made by the National Government as to commerce among the States. If you have any definite line of thought on that subject, please tell us what it is.

Mr. WISTAR. This is an entire surprise to me. I did not know the committee was in session until sent for a few minutes ago.



## WATER-ROUTE TRANSPORTATION.

The CHAIRMAN. I have understood that you have had a great deal to do with canals and water transportation.

Mr. WISTAR. I have been managing the canals of the Pennsylvania Railroad Company for many years past. The last occasion of this kind where I was called upon was when the Committee on Transportation Routes to the Sea-board was presided over by Senator Windom. At his request I wrote a letter on certain points, which is printed in the first volume of that committee's report.

The CHAIRMAN. Are you now connected with canals?

Mr. WISTAR. Yes, sir; I am president of what is called the Pennsylvania Canal, which is the Susquehanna River system, belonging to the Pennsylvania Railroad Company. I infer from your circular which you have handed me here, the line of your investigation is more particularly into the great railroad question.

The CHAIRMAN. Especially with reference to railroad transportation and water routes in competition with railroads.

Mr. WISTAR. I do not think that exists now unless it may be to a certain extent in the case of the Erie Canal of New York. I think Senator Gorman knows as much about canals as anybody, and I am sure he will agree with me in the fact that all the canals of any consequence in the United States, except the Erie Canal, are now owned and controlled by railroads. Is it not so?

Senator GORMAN. Nearly all.

Mr. WISTAR. It is so in England. The English railroads commenced the same system before ours did; they bought up the canals there, and England is much better supplied with them than we are, territorially speaking. I do not think there is an inland canal in England now that has what you may call trade. The great Caledonia Ship Canal may be an exception. There may be a little line from a factory to a shipping place or something of that kind, but there is not a commercial canal in England, I think, that is not controlled by one or all of the railways in competition with it. That system had gone on there a good while before our railroads commenced it. Now I do not think there is a canal in the United States, except the Erie, that is not more or less controlled by railroads. Senator Gorman's canal maintains an independent existence under the wing of the State of Maryland, I think, and he knows more about that than I do. I do not suppose that is controlled by the railroads.

Senator GORMAN. Not at all.

The CHAIRMAN. We have a little canal in Illinois called the Illinois and Michigan that is owned by the State.

Mr. WISTAR. That is independent, then, at least of the railroads?

The CHAIRMAN. Yes. It is a short canal.

Mr. WISTAR. There may be a few small ones, but really the railroads exert a great influence over the large canals and through other great influences which they wield in every State; a great railroad like the New York Central, for instance, exercises a great influence in the administration of the canal, though it may not actually hold the canal by purchase.

The CHAIRMAN. Do you believe it is better policy to allow the canals to be owned by the railroads?

Mr. WISTAR. I do not, but it is too late to stop it. I do not believe in that, nor do I believe myself in the policy of railroads owning coal lands; but it is too late to stop that. I may say to you that although

the Pennsylvania Railroad Company is a large owner of coal lands, it was driven into that system against its convictions and after a great deal of resistance. In 1867 I took charge of its canals, and before I had had much to do with them I represented to the then president of the railroad company, and I reported annually for a year or two, that I thought it was a great mistake for other railroads to be purchasing the coal lands, the source of tonnage, and that unless it could be stopped, by legislation in the interest of the public all transportation lines reaching coal mines would be forced into the same thing. It was not stopped and after two or three years I was obliged to change my tone right about. I said then, "this thing has gone to such an extent now that our canals reaching the coal territory, and dependent wholly for their tonnage upon the supply of coal, must now be abandoned or they must do what others have done—buy coal lands for a permanent source of supply. After much consideration and immense reluctance, we did so

The CHAIRMAN. Did you buy coal lands for the canal?

Mr. WISTAR. We bought coal lands for the canal, but the canal has so much depreciated in relative importance with the railroad that that tonnage now goes mostly by rail.

The CHAIRMAN. Are the canals in the State doing anything?

Mr. WISTAR. Yes, sir. The Pennsylvania Canal entire, which extends up the three great branches of the Susquehanna River, carried last year—I speak from recollection—the equivalent of about 70,000,000 tons for the mile, mostly anthracite coal, got exclusively in that manner, by the mining of coal lands owned in the same interest as the canal. As a competitor for the tonnage of private miners we could not have paid the lock-tenders.

The CHAIRMAN. On the question of cheap transportation, what is your judgment as to the importance of the keeping up of canals—I speak now of canals not belonging to railroad companies—as independent factors?

Mr. WISTAR. I think I had better speak principally of the Pennsylvania canals, since I know most about them.

The CHAIRMAN. I want your information and judgment on the subject generally, whether it pertains entirely to this State in its operation or not.

Mr. WISTAR. I would answer in this way: In Pennsylvania I see no use of keeping them up at all, because they are controlled by the railroads entirely. The railroads control them and are governed by the cost of transportation on the railroad and canal both, and can arrange each to meet a common exigency. Therefore there is no particular benefit to the public, provided the coal gets from the mines to market, which way it goes, both routes being owned by the same party and subject to the same competitions.

The CHAIRMAN. And charging the same price?

Mr. WISTAR. Yes, sir, charging the same price. That is not only the case with our canals, but it is the case with the Schuylkill and Lehigh canals, treating them in connection with the railroads owning them respectively.

The CHAIRMAN. How many miles of canal have you in this State?

Mr. WISTAR. About 335.

The CHAIRMAN. What are the names of the different canals?

Mr. WISTAR. These canals were built by the State of Pennsylvania. It commenced building them about fifty years ago. They were intended to provide a line of navigation for the great Susquehanna River, throughout its three main branches, the Juniata, the West Branch, and

the North Branch. The State ran them with more or less success—mostly less—for many years. About 1857 or 1858 it sold them to different parties. What was called the main line of State canal, which followed the Juniata and crossed the mountains on a portage railway and went down another canal to Pittsburgh and so on by the Ohio River, before the days of railroads, was purchased by the Pennsylvania Railroad Company. The West Branch Canal, of the West Branch of the Susquehanna River, was purchased by the Sunbury and Erie Railroad Company, now the Philadelphia and Erie Railroad Company. The North Branch Canal was purchased by individuals who made a corporation called the Wyoming Valley Canal Company. None of these canals made much profit, if any, and from the year 1867 to 1870 they were all consolidated together upon the Pennsylvania Canal, the Juniata line as a basis, into one corporation called the Pennsylvania Canal Company.

The CHAIRMAN. At what time did the Pennsylvania Railroad Company buy these canals?

Mr. WISTAR. The Pennsylvania Railroad bought the main line of State canals in 1858, and then by this consolidation acquired all the rest between the years 1867 and 1870.

The CHAIRMAN. Was there any disposition on the part of the State to turn them all over to the Pennsylvania Railroad?

Mr. WISTAR. The people of the State, represented in the legislature, had got very tired of managing the canals for several reasons. In the first place, it was a very expensive amusement, and it had become a great political machine. In short, they had got very tired of it, and it was determined to sell them, not to any particular person, but to get rid of them, and they were offered for sale by the appropriate State authorities and sold in that manner.

The CHAIRMAN. I suppose the railroad company bought them for the purpose of controlling the question of freight charges and transportation?

Mr. WISTAR. It was a parallel line to the main line of the Pennsylvania Railroad. On part of the canal west of the mountains they laid a track.

The CHAIRMAN. From your general information and study of the subject in its larger scope, what is your view on the question of the importance of waterways as a means of transportation? Do you think the Government should develop them, wherever it can properly, and keep them up and maintain them as a means of cheap transportation?

Mr. WISTAR. My view may be heretical on that point, but I think any government, large or small, that undertakes to control or manage lines of transportation, no matter with how praiseworthy intentions, will in the end, and at a very early day, be controlled by the lines of transportation. Therefore my views are against any such thing.

The CHAIRMAN. We have the lakes and the rivers given us by nature. Would you favor a scheme of keeping up in-shore harbors?

Mr. WISTAR. No, sir. I favor a scheme of letting them alone. I think the Lord has done better than any legislative body can do in respect to them. I think it is a great blessing to any country to have navigable rivers and lakes when they come from nature without cost or taxation.

The CHAIRMAN. There has been some money spent near this city on the Delaware River and Bay. Do you think that was all thrown away, improperly expended?

Mr. WISTAR. Pretty much. I have navigated the Delaware a great deal, and I never saw much good come from the money spent.

The CHAIRMAN. Then you think we ought not to make appropriations of that sort?

Mr. WISTAR. I think so. I think nine-tenths of the money is squandered. I have been familiar with the operation on the Delaware River, and with those on the Raritan River, and in New York Bay. The improvement at Hell Gate is an exception. I think that is a beneficent thing for all futurity if it can be accomplished, and I presume it will be finally with the competent men who are in charge of it, but the minor operations of dredging, &c., do not amount to much.

Senator MILLER. Do you think the Federal Government ought to do nothing for the harbor of Philadelphia or Baltimore, but just leave it to nature?

Mr. WISTAR. Leave it to nature and those who are interested. That is my judgment.

Senator MILLER. Are not all the people of the country interested, either directly or indirectly, in having good harbors for its foreign trade?

Mr. WISTAR. Yes, and if the harbors are let alone the people will find the best ones and go and settle upon them; but to pick out a bad one and undertake by dredging and working to make it compete with those that nature has made good, I think is a losing operation for the party that pays the expense.

Senator MILLER. The harbor of Portland, in Maine, is probably with one exception the only really deep harbor in our country. Do you think it wise for the Government to leave the entire sea-coast without harbors such as those at Charleston and Savannah, whose mouths have to be dredged out at an expense of many millions? Do you think it would be wise to attempt to get along without these large harbors because nature has not made them?

Mr. WISTAR. I think nature has made them. Portland is a good harbor; Boston is a good harbor; New York is a good harbor. They are filling it up as fast as they can, but nature made it a good harbor. The Delaware Bay is a pretty good harbor; Norfolk and Port Royal are first-rate harbors; and so there are others. I think the people can be trusted to find harbors that will answer their purpose.

Senator MILLER. The largest steamers now built cannot get into New York Harbor with a full load.

Mr. WISTAR. Because they have filled it up by abuse.

Senator MILLER. The depth of water over the bar at Sandy Hook is precisely the same as it was fifty years ago; it has not varied an inch, as the surveys made last year by the War Department show. Larger steamers are now built and they cannot get in.

Mr. WISTAR. I undertook to land at Court Street Warf, in Brooklyn, a few years ago from a tug drawing 7 feet of water, where I could have carried 10 feet of water within a short time, and could not get within a hundred yards of it. The movement of our tug stirred up a black, stinking, muddy, poisonous stuff a hundred yards off the wharf, and we had to stop and land in a small boat. I knew a yacht that was capsized and sunk in Constable's Cove one night about 9 o'clock; she was taken out next morning at 9 or 10 o'clock, and every particle of her paint had turned black from the sewage stuff. That harbor is filling up. You cannot throw a lead anywhere in New York Harbor except near the Hook that you do not find it sink several feet through such stuff artificially put there. A suitable law with penalties to preserve harbors as provided by nature is one thing, but for the country to compete with nat-

are in the manufacture of harbors is another thing, and is ruinous to the tax-payer without doing corresponding benefit to commerce.

Senator MILLER. I suppose it is impossible for a city like New York or Philadelphia to exist without sewage and without a great deal of dirt running into the waters. Would you leave it there and have the harbor fill up?

Mr. WISTAR. That is another question. It might be burned or destroyed in some other way. That is a question for sanitary engineers, and I suppose they are fully competent to meet it. If it is necessary to fill up the harbors wherever a great city locates on them, then it is necessary to be constantly finding or making new ones, of course.

The CHAIRMAN. I infer that you are not very much in favor of the Government doing anything about anything in connection with the business interests of the country.

Mr. WISTAR. I am not very much in favor of the Government altering the face of nature. I want it understood that what I do say, whatever it may be worth, is very much against my personal interest. I have a very large interest in a Western railroad which would probably be doubled in value if the Government was to spend a lot of money on the Lower Mississippi; and yet I believe it would only be fraught with disappointment and loss to the general public if the Government was to spend that money.

Senator MILLER. The Government has already spent a large amount on the jetties at the mouth of the Mississippi. Has not that done the commerce of the Mississippi Valley any good?

Mr. WISTAR. The Government has spent eight or ten millions a year for an indefinite period in improving harbors and creeks, without anybody making anything much out of it so far as I know except those who did the work.

Senator MILLER. We are speaking about the Mississippi River at the present moment, and it is best to come down to actual instances. We have spent a large amount of money on the jetties of the Mississippi River, and I ask whether you do not think that has been repaid to the people of this country by the improvement of foreign shipping through the Mississippi jetties?

Mr. WISTAR. I am not so much acquainted with that subject as you doubtless are, but I do not see that the city of New Orleans, the great commercial depot on that river, has grown much during and since the period this money has been spent. I do not see that any of the other large cities, centers of population on the Mississippi River, have increased any faster than is due to the general growth of the country, in consequence of this expenditure.

Senator MILLER. Do you, or not, know whether the foreign shipping at New Orleans has increased vastly over what it was before the jetties were built?

Mr. WISTAR. I have not got the figures on that subject.

Senator MILLER. I have no doubt you will find that since the jetties were completed the foreign shipping coming to New Orleans has increased many fold.

Mr. WISTAR. But if it were increased a hundred fold I have failed to believe that if this country produces a crop of grain or cotton we cannot rely on the talent of this people to get it to market without the assistance of Government.

Senator MILLER. Do you think private individuals in the Mississippi Valley growing cotton could get together and build the jetties at the

mouth of the Mississippi? What is the object of Government if it is not to build things which cannot be done by private enterprise?

Mr. WISTAR. I think they will get their crops to market as cheaply as they do now.

The CHAIRMAN. By some other plan?

Mr. WISTAR. I do not know how, but I have great faith in popular intelligence. I think popular intelligence is enough for all our commercial purposes. The people will find the right way of getting their crops to market; they always have done so; and the country will not starve for want of harbors, whether the Government spends any money on them or not.

Senator MILLER. Do you know how large a vessel can get into Savannah or Charleston at the present time?

Mr. WISTAR. No, sir; I do not. I am not acquainted with those harbors. When the Lord made this country, He put a fair comparative share of harbors in it, and for two hundred years they have answered all the purposes of the country. The last ten or fifteen years we have tried to make them better, but I do not see that we are accomplishing much.

Senator MILLER. Is it not true that within the last ten or fifteen or twenty years the ships which carry on the ocean trade draw two or three times as much water as the little ships in which Christopher Columbus and the Pilgrim Fathers came over?

Mr. WISTAR. Yes. When I was a boy I followed the sea and know something about it.

Senator MILLER. Take Galveston Harbor, into which a vessel drawing 13 feet of water can enter. The great ships which carry freight cheap on the ocean, and which would carry the cotton at Galveston to Europe cheaper than it is carried now, draw 26 or 30 feet, so that while mankind has improved in building ships the old harbors with from 13 to 16 feet of water will not admit them; and on your theory we should go on improving in our ships and railroads, but not have any harbors that would allow the ships to get in or out. I do not see exactly how the Pennsylvania Railroad, or the New York Central, or the Erie, could get much foreign trade if their terminus was at some point where there was no harbor. If in the improvements of science and ship-building it becomes necessary to have more water in a harbor over the bar, who is to produce it? Private individuals or the Government?

Mr. WISTAR. The first thing to be determined is whether it is necessary to have more water in your harbor. There are plenty of harbors in the United States made by nature for deepening which nothing has been expended and where, so far as I can see, any vessel that ever floated can get in. It may be cheaper to have termini at such harbors than termini at inferior harbors constantly impoverishing the country to keep open by taxation.

Senator MILLER. Is there a harbor south of Virginia, anywhere on the Atlantic coast or anywhere on the Gulf coast, into which a vessel drawing 30 feet of water can to-day get?

Mr. WISTAR. There is Port Royal Harbor; I believe any vessel, no matter what her depth of water, can get into that harbor; and also Norfolk.

Senator MILLER. If that is so at Port Royal, it is the only place south of Virginia until the jetties were built at the mouth of the Mississippi River into which vessels of the largest draught of water could get. At all events, since the war, until the jetties were completed, no vessel could go into the Mississippi drawing more than about 16 feet of water.

Now vessels pass in and out of the Mississippi River drawing all the way from 25 to 30 feet of water and carrying immense loads, and carrying them at a much less price than they ever did before.

Mr. WISTAR. That I suppose would cheapen cotton to the foreign buyers who purchase in New Orleans, and they ought to pay for it.

Senator MILLER. If it makes a market for the cotton of Texas and cheapens the transportation of it, does it not increase the price to the Texas planter and the planter in the Mississippi Valley? How can he sell it unless he is able to get it out?

Mr. WISTAR. If there was a great superabundance of cotton, perhaps it would be so; but in ordinary markets I think the producer would have to stand the price of getting it to the shipping point. If he cannot get it to one he must get it to another. The country has other outlets besides New Orleans.

Senator MILLER. The price the grower of wheat in Dakota gets for his wheat is the price in New York or Liverpool less the cost of transportation. So with cotton. If you do anything to reduce the cost of carrying grain from Dakota to New York, or carrying cotton from any point in the Mississippi Valley to Liverpool, you are helping the planter, are you not?

Mr. WISTAR. Yes; but if you tax him \$10 to reduce his transportation \$5 I do not think he makes much. If you spend ten or fifteen millions on harbors affecting transportation only to the extent of three or four millions, I do not see that anybody makes much except those who do the work.

Senator MILLER. Do you make any such statement as that as a matter of fact?

Mr. WISTAR. No, sir; I do not pretend to give figures. My attendance here was entirely unexpected to me.

#### GOVERNMENTAL REGULATION OF INTERSTATE COMMERCE.

The CHAIRMAN. You have given us your general view of the waterway question; have you any views that you care to express in reference to the question whether the Government ought to do anything looking to the regulation of commerce by railroads between the States?

Mr. WISTAR. I can hardly think my opinions so suddenly called for on that point would be of any value. I have not studied the question very much, but I am inclined to think that as a part of the police duty of Government in preserving order in the larger sense, the plain duty of every Government is wide enough to cover some regulation to embrace interstate commerce by railroads. I am not, however, an expert on that question.

The CHAIRMAN. Have you any definite views which you care to express?

Mr. WISTAR. No, sir; I think any action of Government ought to be very loose and general. I think positive enactments about this road or that road or this comparative rate or comparative distance might prove to be very dangerous in practice, unless there was a power at hand authorized to relax or change them as emergencies and new conditions arose. That is my fear.

The CHAIRMAN. So that you think if any legislation were had by Congress looking to the regulation of commerce between the States it ought to be of a general character and placed in the hands of somebody who would have discretionary power to relax it if it was found to be necessary or best in its judgment. Would that be your idea?

MR. WISTAR. That is my view, so far as it is worth anything. I think there are certain leading principles, very general indeed, that it would be safe to enact. After that, I do not see how you could go further than intrust it to some missionary body of the Government, some fixed authority both experienced and competent, to carry out those leading views by minor rules and regulations of their own.

THE CHAIRMAN. Can you indicate what those general leading principles embodied in a statute should be?

MR. WISTAR. I think the notice is too short for me to give you anything valuable on so difficult a subject.

#### PUBLICITY OF RATES.

THE CHAIRMAN. Would you think, for instance, it would be safe to require railroads to make publicity of rates?

MR. WISTAR. I do not see any harm in that; but even that, if worked out, unless some considerations are very carefully borne in mind, might lead to ruinous results. For instance, a bill which I have seen proposed somewhere, a State bill—I do not know whether in this State or some other—required every change of the rates to be posted at every station and given publicity in other ways. Apparently at first sight that is a beneficial rule; there can be no objection to the public knowing what they have got to pay; and if our roads had been laid out on great strategic and commercial lines as they were in the principal European countries, before any were actually built—thus preventing useless and inordinate competition by parallel roads—there could be little difficulty in making the roads adhere to established rates for a reasonably long period—weeks, months, years often. There would be nothing to interfere with such stability except the state of the crops and the changing conditions of commerce which are constantly happening and nearly always give due notice. But here, where we have permitted railroads to parallel each other in every direction, it is different. I do not know of thirty consecutive miles of railroad in the State of Pennsylvania to-day that are not paralleled—I do not say that there are not such cases, but I do not know of them. Where that state of things exists, and where in addition to the general commercial exigencies these competitive considerations are coming in every moment, it is almost impossible to give immediate publicity to the constant and innumerable changes in that manner by posting them at stations as fast as they become necessary.

THE CHAIRMAN. Publicity of rates required by law would presuppose very considerable stability in the rates when published, and would carry with it probably the requirement that they should not be changed without so many days' notice, or something of that sort.

MR. WISTAR. Then how could the legislative power foresee the innumerable ways in which these things are evaded under the spur of competitive necessity?

THE CHAIRMAN. The legislative power, the Congress of the United States, would not undertake, for instance, to foresee any further than to simply require publicity of rates, and then require that the railroad companies should give eight, ten, or fifteen days' notice, as the judgment might be, before the rates should be changed from time to time, not indicating when, but requiring a specified number of days' notice. Do you think that would be a safe thing?

MR. WISTAR. If it could be absolutely enforced against all evasions, I do not see any harm it could do, but I do not see how it is possible to



do it. Cars get scarce at a point where the rates cease to be profitable, or very abundant where they are profitable, or fifty other things happen which make it necessary for a parallel road to meet the existing condition quickly. If they cannot meet it in the open, above-board, honest manner of certain rates, then they will meet it in some other way or perish.

The CHAIRMAN. Suppose they do, if there is a law requiring publicity of rates, and the parallel road is governed by that law as well as the road that was there before, and then the Government had some special tribunal, as a commission, to enforce the law as nearly as possible, would there be any more difficulty about it in the case where the parallel road came in than if there were not one there?

Mr. WISTAR. If you require even ten days to change rates, in ten days an entire feature of the commerce of a particular railroad may change its channel. There are innumerable ways of doing the thing without changing rates. I have known a railroad to accept a car-load of lumber of 20 tons and call it 15 or 10 tons, if necessary, for the purpose. Then if they were asked about it they would say their scales were out of order, or broken down, or being repaired, or something or other.

The CHAIRMAN. That would be fraud in one sense.

Mr. WISTAR. Fraud is a thing that we may possibly expect of our fellow men sometimes.

The CHAIRMAN. If a railroad company must be presupposed to be officered by men who are innate rascals, of course there would be some difficulty in enforcing any provision of law with them, but the presumption is that men in charge of transportation companies ordinarily are like the rest of us, wanting to do as near what the law requires as they can.

Mr. WISTAR. You know that when we go to buy a house we are exceedingly careful to see that we do not get defrauded and are careful in examining the title. It is rather a broad assumption to assume that all our fellow-men are anxious to do as they would be done by. I hope most of them are.

The CHAIRMAN. It is only charitable to suppose that the majority of men who do business, whether engaged in railroad business or any other, are honest. At any rate, if they are dishonest, a law that looks to requiring them to be honest certainly would not hurt.

Mr. WISTAR. I think it is a very dangerous subject, and a very broad one, and a very deep one.

#### DRAWBACKS AND REBATES.

The CHAIRMAN. Leaving that point, what would you think, from your experience in transportation, about a provision of law prohibiting drawbacks and rebates being paid?

Mr. WISTAR. Would you apply that only to railroad corporations?

The CHAIRMAN. To all public transportation companies that have received a charter from the Government or the State—to all public corporations by virtue of the privileges they have acquired from the Government.

Mr. WISTAR. To give an instance, a few years ago I had occasion to buy a large quantity of iron pipes from a corporation also deriving privileges from the Government.

The CHAIRMAN. A private corporation, you mean?

Mr. WISTAR. It was an incorporated company, incorporated by char-

ter from the State. The price was a certain figure—I forget what—with a discount or rebate of 75 per cent. off, if I recollect aright; at all events it was a large rebate. Would you apply the anti-rebate provision to all corporations, or only to one class of them?

The CHAIRMAN. I am asking you; I am not on the witness stand myself.

Mr. WISTAR. Excuse me; I thought I might respond to a question that I did not feel very able to answer by asking another. It is rather too heavy a question for my caliber.

The CHAIRMAN. Do you or not think that the habit which has grown up among railroad men of giving preferences by a system of rebates or drawbacks, that is known to exist to a greater or less extent over the country, is a bad one in itself?

Mr. WISTAR. Yes, I think that rebates, the tendency of which is to conceal the truth, is a bad system in any business. I am free to say that.

The CHAIRMAN. There is no reason for the system except to prefer A B to C D, or somebody else?

Mr. WISTAR. Or to conceal the rates paid from some rival.

The CHAIRMAN. Then legislation that would prevent that kind of concealment and preferential dealing ought to be good legislation?

Mr. WISTAR. If effectual; but I do not see how it could possibly be made effectual except upon the few. I do not pretend to give the estimate of an expert or a statesman upon these subjects. My business is getting my living the best way I can from day to day, and I am not an expert in these questions, but it seems to me there would be immense difficulty in getting such a law to work a real beneficial effect except upon a few, and it would be ruinous to them, while others would escape by greater address or less scruples. If the effectuality of a provision of the kind you speak of could be universally and absolutely assured there could be no possible objection to it.

The CHAIRMAN. There is not any law the absolute enforcement of which can be assured in advance. The law against murder does not prevent murder.

Mr. WISTAR. What I had particularly in my mind was the manner in which our company suffered. I also mine a large quantity of coal, about 2,500,000 tons a year, for some corporations controlled by the Pennsylvania Railroad. Some years ago when our State had a tax per ton on the tonnage, we paid it upon our returns made under oath, and I considered that we were exceedingly wronged by that mode of taxation, not because it was not a proper subject for tax—on the contrary I think it is a very good one—but because the tax was not effectually enforced on every miner. It is a hard thing to say; I do not know it; I cannot say it from personal knowledge; I cannot prove that any one else evaded the law, but my conviction was that others did so, and that we paid what other people engaged in the same business did not pay, greatly to our relative injury. I fear that the sort of restrictions contemplated might work the same way.

#### DISCRIMINATIONS IN COAL RATES.

The CHAIRMAN. It has been stated here that coal could be shipped to Boston from the coal mines in this State as cheap as it can be brought to Philadelphia, or rather that it was actually selling as cheap in Boston as in Philadelphia, whether shipped at the same rate or not. What do you know about that?

Mr. WISTAR. Coal is shipped by the principal carrier here, the Read-

ing Railroad, to Port Richmond at a lower rate if it is there put on board a vessel to go to Boston, and goes by water from here, than it is transported to this city for consumption in this city; but it is not sold at a cheaper rate in Boston than in Philadelphia.

The CHAIRMAN. What is the relative charge for freight from the coal mines of Pennsylvania to Philadelphia and to Boston? Is there any difference in the cost of bringing it to one place and the other?

Mr. WISTAR. Yes; it costs more to take it to Boston. I am speaking now of the cost.

The CHAIRMAN. I am not speaking about the cost of the coal, but what the freight charges are upon it.

Mr. WISTAR. It costs more to transport it from the mines, say in Lucerne County or Schuylkill County, to Boston, than it does to Philadelphia.

The CHAIRMAN. It has been estimated that the charges are no more.

Mr. WISTAR. I think what was meant was this: Suppose for instance, a car-load of coal is shipped on the cars in Schuylkill County to go to Boston, and another car-load in the same train is shipped for consumption in Philadelphia, both cars are carried to Philadelphia at the same price, but one of them has to go 500 or 600 miles farther to Boston, and pays \$1 a ton freight for that transportation through. The large dealers in New York, 250 miles nearer to the Boston market by sea, are competitors for the sale of coal in Boston, and they get their freight from New York to Boston, perhaps for 75 cents. I do not know what the rates are at this moment; they are changing all the time. That 25 cents difference must be made up for in some way. The vessel must have its dollar from Philadelphia, while the New York vessel is satisfied with 75 cents from New York, being a much shorter voyage. Somebody must make up that difference; it must either come off the price of coal delivered on the cars, and therefore fall on the miner, or it must be made up by the railroad company which carries it to Philadelphia to be shipped by the longer route. In point of fact, both parties are the same; the railroad is the miner, and out of the coal and its railroad transportation to Philadelphia together it contributes those 25 cents, so as to make the whole cost from the mines via Philadelphia to Boston equivalent to the whole cost from the mines via New York to Boston. That is an exigency of the lines of this commerce, that I do not see how anything can help. Legislation, which made that impossible to the Reading Railroad (with which I am in no manner connected), would simply deliver the whole Boston market to New York corporations which have their termini on the Lower Hudson and New York Bay.

Senator MILLER. It was stated here yesterday that, as a matter of fact, coal was shipped from the mines to Boston, and no more freight charged to Boston than was charged from the mines to Philadelphia. You state that the difference now is only \$1 per ton.

The CHAIRMAN. And I think it was stated that that was not by water.

Mr. WISTAR. I do not state the difference as a dollar. The statement made to you I think is not correct.

Senator MILLER. What do you say as to the actual fact whether or not coal has been shipped from the mines to Boston at no more charge than is charged from the mines to Philadelphia, or at the same rate?

Mr. WISTAR. I say that the whole cost of transportation from the mines to Boston via Philadelphia must, by the exigencies of trade, be made equal to the whole cost of transportation from the mines via New York to Boston.

Senator MILLER. You can give a direct answer to the question whether the fact does now exist, or ever has existed, that coal is carried from the mines to Boston at precisely the same rate as it is carried from the mines to Philadelphia.

Mr. WISTAR. It is not so.

Senator MILLER. The statement was made yesterday as broadly as that.

Mr. WISTAR. What the person meant, I fancy, was, and the great cause of complaint here in the newspapers and otherwise has been, not that coal was carried from the mines to Boston at the same price as from the mines to Philadelphia, but that coal was carried from the mines to Philadelphia cheaper if intended to be shipped to Boston than if intended to be consumed there, thereby appearing to levy a toll on the Philadelphia consumer. But I do not see how that does the Philadelphia consumers any harm, because there are half a dozen large competitors in Philadelphia selling against each other, and coal will sell for whatever their competition will let it bring, whereas there can be no coal carried via Philadelphia to Boston at all—the Philadelphia lines of transportation must go out of the Boston trade—unless they can make the whole rate via Philadelphia to Boston the same as the whole rate via New York to Boston.

Senator MILLER. How can a railroad company afford to deliver coal here for shipment to Boston any cheaper than it can afford to deliver it here for consumption?

Mr. WISTAR. If they have a million tons to sell, and can sell only half a million here, they must find a market for the other half million somewhere else. I do not think they do afford it now, for they are losing money.

Senator MILLER. Losing money both on the shipment to Boston and on the shipment to Philadelphia?

Mr. WISTAR. They are losing money on their entire business. I do not know that we can separate the items in that way, but every large coal producer of anthracite, I think, is losing money now; at any rate, he is not making any.

#### EFFECTS OF WATER-ROUTE COMPETITION.

Senator GORMAN. You seem to be under the impression that the competition of artificial water-routes, except the Erie Canal, has no effect on the transportation interests? Is that so with the canal and river between Baltimore and Philadelphia? Has not that a very controlling influence on the charges of the Philadelphia, Wilmington and Baltimore Railroad Company, for instance?

Mr. WISTAR. The river Delaware and the Chesapeake Bay have an influence, and they are certainly assisted by the communication between them, 13 miles long, called the Chesapeake and Delaware Canal, but I do not know that it affects much the charges between Philadelphia and Baltimore by rail. The charges are very much affected by the river and creek trade which reaches the railroad at nearly all points, but I do not know that that canal has a great deal to do with them. It has something undoubtedly.

Senator GORMAN. I believe the Delaware and Raritan Canal is now owned by the railroad company between Philadelphia and New York.

Mr. WISTAR. Yes, sir.

Senator GORMAN. Has not that had a very decided influence here, taking the whole route through?

**Mr. WISTAR.** The principal trade of the Delaware and Raritan Canal was in coal of two kinds, bituminous coal from the Baltimore and Ohio, which you know all about, from Locust Point, in competition with the open ocean route by schooner, and anthracite coal from the Reading Railroad shipped on board barges and schooners at Port Richmond and going through the canal in preference to the open sea. Both of them have found better routes, or at least routes that they like better. The Baltimore and Ohio is preparing an all-rail route for such coal as it now ships by schooners outside. It is preparing an all-rail route by which it thinks it will be able to do the business. I do not see myself how it can compete with shorter lines of road, but it is spending millions with that expectation. Then the great bulk of the anthracite coal from Port Richmond—I am not able to give the figures—is now carried by the all-rail route to Elizabethport by the Bound Brook extension of the Reading. At all events the anthracite tonnage of the Delaware and Raritan Canal diminished from over a million tons to something like 300,000 tons after that route was opened. To that extent they prefer to carry the coal by the all-rail route. Whether the other will meet with more success with a route so much larger remains to be seen. Even the rate at which the Erie carried west-bound anthracite during the panic from 1873 to 1877, which was two mills a ton, could not put the Baltimore and Ohio coal in New York and the Eastern markets in competition with the present ocean routes from its existing terminus at Locust Point.

**Senator GORMAN.** As I understand you, the tonnage of the Raritan and Delaware Canal is decreasing?

**Mr. WISTAR.** It decreased very largely after the opening of the Bound Brook route, and since then it has remained about the same; a certain tonnage goes over it.

**Senator GORMAN.** Is not that because of the control of the canal by the railroad interest?

**Mr. WISTAR.** I have no doubt it is owing partly to that. Of course the railroad carries everything it can by rail; it has the apparatus and wants to use it.

**Senator GORMAN.** Your statement to the Windom committee was that more tons passed through the Raritan and Delaware Canal in 1870 than went out from New York Harbor in all the vessels.

**Mr. WISTAR.** Than all the foreign tonnage for that year. I think the canal tonnage was then about 4,000,000 tons per annum. I recollect stating in my communication to the Windom committee that it exceeded by three times the entire tonnage both ways of the Suez Canal, and largely exceeded the entire foreign tonnage bound in and out of the harbor of New York during the same year.

**Senator GORMAN.** As an independent factor, controlled not by the railroads, but by corporations running them in their own interest, or the Government, would not canals have a very controlling influence on the charges between here and New York on all heavy classes of freight?

**Mr. WISTAR.** If it was a free canal, like the Erie, it would, but the canal rates are very low. The route by canal from here to New York involves a great deal of steam towage on the rivers, and that is the expensive part. Again, the canal cannot be kept open all the year; it is closed three months in the winter. If this canal could be kept open all winter, as the Chesapeake and Delaware is—and it might be, except for the rivers—the case would be somewhat different. The Delaware River is shoal and crooked above the city; the Raritan is worse, and they close early. At a very little expense, as they already have an

engine at each lock, a coil of hot-water pipe in each lock would keep it from freezing; but that is of no use as long as the rivers freeze. The closing for three months is a very important matter in a great line like that between Philadelphia and New York.

Some years ago when General Grant was President I urged a matter upon his attention which it seems to me to-day is a thing worthy the attention of the gentlemen in charge of the interests of the country at large, viz, that if there was a line of canal built such as was during the war, proposed to be built from somewhere in the neighborhood of Annapolis to Washington (which would not cost much, a through cut without locks), and the other smaller tidal canals in North Carolina and elsewhere proportionately enlarged, and the Delaware and Raritan perhaps slightly enlarged, it would be possible at a very small expenditure—not a tithe of what is annually being expended in dredging rivers and harbors and creeks and ponds—to make a through line of navigation for small one gun gunboats from the Boston Peninsula at Cape Cod—and I see they are canalizing that—and internal safe navigation from Boston to New Berne, N. C. That would cover all the important centers of population and wealth on the Atlantic sea-board. You could build two or three dozen little one-gun gunboats for the cost of one large man-of-war, and you could concentrate them in one night by telegraph at any place where a hostile fleet made its appearance, being in that respect infinitely superior to any fixed fortifications that could be built. They could be kept in fresh water and safely concentrated in one night to meet any threatened point, which a fort could not. You could have them all in New York in one night by internal navigation, unassailable from the sea and protected by a dense population on land.

What incidental advantage there would be to commerce at large by such a line is also to be considered. General Grant seemed very much struck with the idea, but it did not go any further, and his term soon after expired.

Senator GORMAN. What is your opinion about the benefit to commerce which would result from the completion of that line?

Mr. WISTAR. I think if there were a through water line for vessels, large enough for offensive and defensive purposes, say 10 or 12 feet of water, the commercial use of it would pay for its maintenance at all events.

The CHAIRMAN. That would be true of any canal that had that much water in it running through a populated country.

Mr. WISTAR. Yes; all the partial links of that canal now existing, the Delaware and Raritan, the Chesapeake and Delaware, the Albemarle, and so on, do now pay the expense of maintenance and something more. If there was one continuous line I should not think they would do any less.

Senator GORMAN. If Congress should pass a law appointing a commission such as has been described here, and requiring rates to be public, would you apply that to all the transportation lines upon the canals and the lines running in the coastwise trade?

Mr. WISTAR. My individual opinion would be that I would not lay another straw on the ocean trade. We have got it tied hand and foot now by the navigation laws, and if it is not expedient to relax them I certainly would not make them stronger. I do not see why the canal lines should not be subject to the rule. If it is a good rule, it is good for everybody; if it is a bad rule, it ought not to pass.

The CHAIRMAN. You are aware that there is a difference; that the lakes and rivers, for instance, are free to the world, to the people of the

nation; anybody can build a boat that chooses to do so and put it on them, but an individual cannot construct a train of cars and put them on a railroad without the consent of the owners of the road.

Mr. WISTAR. I think the rivers and lakes and ocean are the gift of God, and we should let them alone. If people want to run competition and ruin themselves let them do so; that is a matter which will correct itself after awhile; but in regard to artificial lines, whether they are water or rail, I think they stand on a different plane.

Senator MILLER. Take an illustration: The Erie Canal was built by the State of New York, and is now maintained by taxation without cost to those who use it. There are to-day a large number of canal boats lying at Buffalo awaiting a load of grain. They belong to private individuals; many of them belong to a single individual; some of them belong to lines of transportation. If you were to pass a law compelling railroads to publish their rates of freight and not to change them without notice, would you say that a single individual owning a boat and asking for grain freights from Buffalo to New York should be compelled to put up a notice as to what the rate was, and should not be permitted to change that rate for five or ten days before he could get a load?

Mr. WISTAR. That would be rather tough on the individual, but that is not exactly what these gentlemen proposed.

Senator MILLER. That is the kind of business which is going on upon the Erie Canal to-day, and I wanted to get your point down to see just how far it went.

Mr. WISTAR. That would be an oppression of an individual citizen, who might be wicked enough to engage in the transportation, instead, for instance, of the manufacturing business.

Senator MILLER. That canal boat carrying grain in competition with the New York Central and West Shore and Erie roads, and, in fact, with the Pennsylvania road, regulates charges, because the Erie Canal to-day is the controller to a large extent of the rates of freight between Chicago and New York on grain or any other product.

Mr. WISTAR. Every *natural* route of competition is a beneficent thing; there is no doubt about that; but I understood the chairman to ask whether the publication of the rates fixed by the owners of the facilities should be extended to all; for instance, the tolls charged.

The CHAIRMAN. What I meant to get your view upon was whether you think, on the theory or supposition that Congress ought to do anything with reference to interstate commerce, the same law should apply to the transportation upon water in the control of rivers and lakes and canals as should apply to the public corporations, such as railroad companies, on land.

Mr. WISTAR. My answer to that would be, yes, it should be the same law for both. It would affect them differently, because the railroad picks the thing up and puts it in the car and transports it to final destination. But the canal is an open ditch, and you merely undertake to keep it full of water and have men to open and shut locks, and you let any individual go through with his craft, charging him so much toll.

The CHAIRMAN. Would you regulate traffic of that kind on a canal?

Mr. WISTAR. No; I would not meddle with the individual any more than I would tell the farmer how many potatoes he should raise, but I would make the law that applies to the rate of transportation on railroads apply to the rate or tolls on the canal.

The CHAIRMAN. You would not let the canal company charge any more toll to one person than another; is that what you mean?

Mr. WISTAR. Yes, but I think the difficulty would be to prevent their

charging less. Nobody wants to charge more than another. The effort is who shall charge the least to get the business.

The CHAIRMAN. Is it not a fact that in the regulation of canals wherever they are owned by any State or Government there is a fixed toll to everybody on a given article?

Mr. WISTAR. That is it, and that is the thing which, if anything, should be regulated by law, but not the freight that each individual carries upon the canal.

The CHAIRMAN. You think the cost of the transportation of freight on the water ought not to be interfered with.

Mr. WISTAR. No; because the boatman has but a short season to make his trips, and if you tie him up for a month he will have to go out of the business.

#### PUBLICITY AND UNIFORMITY OF RATES.

Senator GORMAN. I understand you to say that it would be a proper thing for the Government to require the publication of the rates of transportation companies, so that the chances should be alike to all persons.

Mr. WISTAR. No, I did not say that; excuse me. That was not exactly what I said. State it again, please.

Senator GORMAN. That it would be a proper thing for the Government to provide by law for the publication of the rates of all common carriers, and that the rates should be uniform to all persons; that is to say, there should be no discrimination. That, I understood you to say, would be a wise provision.

Mr. WISTAR. No; what I said was in regard to the publicity of rates. I do not think the Government could possibly regulate rates. To do so it would have to pass a law every day, and almost every hour. What I said was that I did not see any harm that could result from a law requiring the absolute publicity of all rates, provided always the law should be made effectual on all.

Senator GORMAN. Would you apply that to a railroad?

Mr. WISTAR. If I applied it to anyone.

Senator GORMAN. Would you not apply it to transportation companies by water?

Mr. WISTAR. If I did to railroads I would to canals.

Senator GORMAN. Now, while the ocean is free to anybody to put on a boat, is it not the fact, really, that the transportation is carried on by companies and corporations? Take it from Philadelphia to Charleston, or any point down the coast, while it is free for everyone to put a vessel on the ocean, is it not practically impossible except in the case of a company?

Mr. WISTAR. No; I think not. I think there are hundreds of two and three-masted schooners, belonging to individuals, carrying the great bulk of the coal trade, and sugar trade, and so forth.

Senator GORMAN. I am speaking now of ocean transportation; is it not true that there are corporations at all the various ports doing that business, as close corporations as the Baltimore and Ohio Railroad or the Pennsylvania Railroad?

Mr. WISTAR. They are closer, because those lines belong to natural persons. There are the Shriver line, the Morgan line, the Clyde lines, the Alexandria line, the Old Dominion line, and there used to be the Philadelphia and Savannah line, but I believe that has gone out of business. Of course a firm is a closer business arrangement than any corporation can be.



Senator GORMAN. And you think the same restrictions that you would impose upon all common carriers on land should be imposed on companies engaged in this trade?

Mr. WISTAR. Only on artificial canals; not on lakes or rivers or the ocean.

Senator GORMAN. You would not require a company having a line of steamers on the ocean to Charleston or Savannah to publish its rates?

Mr. WISTAR. I do not see anything to be gained by that. If I was going to do anything at all with them, I would enable them to buy their vessels in any part of the world they wanted and use them in any part of the world they wanted—throw the shackles off them. If I was going to do anything effective for them, that would be it. Liberty is all the aid they want.

Senator MILLER. I understood you, in answer to Senator Gorman, to say that you would apply the same regulations to transportation companies through artificial canals as you would to railroad corporations. Go back to the Erie Canal, if you please. That is an artificial canal. It was built by the State of New York and is maintained, without charge or tolls, free to everybody. Every citizen of America that chooses can put a boat on it. The facts are that there are to-day a number of transportation companies running boats in great numbers over this canal as lines taking freight at various points or from Buffalo to New York. There are at the same time very many boats owned by a single individual or by two men working together. The boats of the transportation lines lie in Buffalo to-day; an equal, or probably greater, number of boats lie there belonging to private individuals, all of them seeking to be chartered to carry grain from Buffalo to New York. Would you compel a transportation company, a chartered company owning a large number of boats, to publish its rates for carrying grain from Buffalo to New York, and to adhere to them and not change them except under a notice of five or ten days? Suppose that is a regulation which has been already applied to the railroad companies, would you apply that regulation to the transportation companies on the canal and leave the private individual, with a single boat, although there might be one thousand of them in the harbor at once, free to make any rate and change it hourly, or take any rate he could get by private contract with the shipper of grain? If you did that, what would become of the transportation lines as against the private individuals owning boats?

Mr. WISTAR. I certainly have failed to make myself understood. Senator Gorman's question was whether any prohibitory or regulative system which might be adopted for railroads should be extended to artificial navigation. I said, yes, but he did not ask whether it should be extended to individuals using artificial navigation. I certainly would leave them alone, and confine such regulations to the tolls charged by the canal-owning corporation.

Senator MILLER. But I understand you to say that you would apply to the corporation using the artificial waterway the same rules you would to a railroad?

Mr. WISTAR. No, I would not. I would treat that corporation as any individual owning a boat. What I meant by saying I would extend the prohibition as to railroads to canals was in regard to the rate of tolls charged by the canal. As the Erie Canal charges no tolls there would seem to be nothing for such prohibitory legislation to take hold of.

Senator MILLER. I certainly misconceived your answer.

Mr. WISTAR. For instance, if a railroad company is obliged to advertise its rates and not charge them except through a formula provided,

that should be extended, in my judgment, to the canal which charges tolls, but not to the individuals and persons who pay these tolls. It should publish its rates of toll and not change them. But the individual who uses the canal and pays the tolls, I think, the Government has no more concern with than it has with the farmer or horse-jockey or the individual who ships freight on a railroad.

Senator MILLER. Then you would treat a corporation running a line of boats through a canal the same as a private individual running a single boat, leaving them absolutely free to charge at any price they saw fit without previous notice?

Mr. WISTAR. Certainly. Individual commerce, to exist at all, must be free.

Senator GORMAN. Take the line between Philadelphia and Baltimore using the Delaware River, the Chesapeake and Delaware Canal, and the Chesapeake Bay; is it not as close a corporation as the Philadelphia, Wilmington and Baltimore Railroad Company? Has it not just as absolute control over every ton that passes over the line as the railroad has over that passing on its road? Do you mean to say you would make a rule for the railroad which should not apply to that corporation?

Mr. WISTAR. I would make one rule for the railroad, and the same for the canal, but not for the individuals who use the canal. Shriver's line uses the canal just as you or I would; it has some boats and it runs them through the canal and pays the tolls. Its tolls are fixed by the competition of other lines, both the ocean lines and the railroads, the railroads on one side and the ocean on the other. Of course it gets all it can, and it does not take any less than it can get. In short, it is held in a vise by the railroad system on the one hand—not one, but half a dozen, the Philadelphia, Wilmington, and Baltimore is the nearest, but there are also others—and on the other hand by the ocean. What can any legislative body, however desirous, do to change that situation?

Senator GORMAN. Would it not destroy their ability to get freight if the Philadelphia, Wilmington, and Baltimore Railroad were compelled to publish their rates and not change them without giving ten days' notice, leaving Shriver's line open to change every five minutes?

Mr. WISTAR. That is the weak point in the whole project of conducting the business of transportation by legislative enactment. It would not affect Shriver's line very much, for it is a small affair and would probably keep its rates up to those of the nearest railroad. It has not made any money for years and could not go a particle above the railroad, and has no motive to go lower to lose money. But how would it be with other railroads? I suppose it is not too violent a supposition to make that although all the railroads are honest at present like all individuals, yet that in the course of the future a railroad company might arise which would not have so many scruples as they have now, and in such a case if they would arrange their rates by other things than published freight rates, by a scarcity of cars, by a delay on a road, or by the sickness of a person without whom nothing could be done, or by estimating weights, or by slowness of delivery, or by an excessive change to greatly quicker delivery, or a hundred other things, the honest, law abiding railroad that has to compete with it is stopped ten days, or thirty days, as the case may be, from meeting the case in a legal way, that is, in the only way it is willing to do it and that will stand open, public, honest investigation. That is the difficulty I see, and hence I qualified all that I said on the subject with the proviso that it should be made absolutely and certainly effectual on everybody. That is the necessary qualification

which lies at the bottom of the whole thing. I do not see how it can be done, but that is a subject for gentlemen who have higher responsibilities than I.

#### TAX ON CANAL BOATS.

I recollect that when I wrote that letter to Mr. Window's committee some years ago I pointed out this fact, which has some relation to the question asked by Senator Miller in regard to private lines of transportation. The Government then taxed and does yet tax, I think, all canal boats, and it did then also tax them with light-house dues and hospital dues, but that is abolished now.

The CHAIRMAN. Do you mean the National Government?

Mr. WISTAR. Yes, the National Government treated them as coasting vessels and required them to be enrolled. They had a hundred of our boats arrested and bonded in Baltimore at one time, I recollect, for refusing to pay light-house and naval hospital dues.

Senator GORMAN. The tax on canal boats has been repealed.

Mr. WISTAR. The Government does not and never did tax the cars on railroads. Hence the utensils of transportation on one system of transportation were taxed while the utensils of the other system went free. That was highly unjust, but it prevailed for many years, and I supposed it did still. I remember that at the very time the Government had in view a stupendous project for constructing a canal across the continent, while they were busy with that great scheme they were allowing the canals, already built by private enterprise, to be taxed out of existence by taxing the instruments of their transportation while the instruments of the railroads went free.

#### JOHN NORRIS'S STATEMENT.

JOHN NORRIS (an editor of the Philadelphia Record) appeared.

The CHAIRMAN. Have you been giving any attention to the subject of legislative control of interstate commerce?

Mr. NORRIS. I have been devoting about one year's time almost exclusively to that subject.

#### DISCRIMINATIONS PREVAILING IN PENNSYLVANIA.

The CHAIRMAN. Go on in your own way and say what you think about it.

Mr. NORRIS. I had no preliminary notice of the intention of the committee to have me, and have made no preparation. I imagine that the committee want light upon the discriminations which prevail in Philadelphia and in Pennsylvania, and to that subject I have given special attention.

Grain, oil, iron, lumber, and coal form the material interests of the State.

#### ANTHRACITE COAL.

The coal-carrying trade is one of the largest items in the transportation business, constituting four-sevenths of the business done on the Pennsylvania line, and a much larger proportion of the business done on the Reading Railroad. There are supplying Philadelphia two railroad companies, the Pennsylvania, and Philadelphia and Reading, controlling five routes from the anthracite coal-fields to Philadelphia—they are the

Schuylkill Canal, the Reading main line, the Lehigh Valley, and the North Pennsylvania Railroads, all controlled by the Reading; the Pennsylvania main line, in connection with the Shamokin branch, and the New York division of the Pennsylvania line connecting with the Belvidere branch. By some tacit understanding—I have never heard that there was any written agreement—these two companies controlling these five routes have so regulated their charges that on anthracite coal the people of Philadelphia paid a much higher rate of freight than was paid for coal intended for shipment outside of the Delaware capes or for points in the Delaware River or Bay. The Reading Railroad Company is a producer as well as carrier, holding all the stock of the Reading Coal and Iron Company. The Reading Railroad Company made a rate—take stove coal as an illustration—for stove coal to be delivered at Port Richmond, for shipment beyond the Delaware Capes, at \$3.90, which included the cost of the coal, profit on the mining, and the transportation. That was \$3.90 free on board. The shipping men compute the expense at the pier for putting on board at 15 cents a ton, making the net charge for the coal and for the transportation on the pier at Port Richmond \$3.75. The same company, at the same time, for the same size of coal, was charging \$4.50 per ton to the retail dealers in Philadelphia, \$3 a ton at the shipping point, which was Schuylkill Haven, and \$1.80 for transportation to Philadelphia. Part of that \$1.05 was due to the discrimination of the producer, which, after all, was the railroad company, and part of it was the discrimination in the transportation charge.

The CHAIRMAN. The transportation charge was by the railroad company too?

Mr. NORRIS. Yes, sir. At the time Philadelphia was paying \$4.80 for anthracite coal, New York City was obtaining its coal for much less. Baltimore was obtaining its coal for less, and a number of the outlying towns were receiving their coal from the transportation company for less than the people of Philadelphia could obtain it, although Philadelphia was the largest consumer of coal in the country, probably.

Senator MILLER. Can you state how much less the price was at New York and Baltimore?

Mr. NORRIS. I have the figures here. The retail price in New York City was \$5.50 at the time coal was selling for \$6.50 in Philadelphia.

Senator MILLER. What was that date?

Mr. NORRIS. I quote from the Philadelphia Record of June 4, 1884. The wholesale price in New York City was \$4.25, in Philadelphia, \$4.80, in Boston, \$5, in Camden, opposite Philadelphia, \$4.85, in Pottstown, on the Philadelphia and Reading railroad, \$4.35.

Senator GORMAN. Sold by the same company?

Mr. NORRIS. Yes, sir.

The CHAIRMAN. Coal that came from the same place, the same mine?

Mr. NORRIS. I do not know whether the Philadelphia and Reading company was then selling in New York.

Senator MILLER. You cannot identify the coal, but it was the same kind of coal?

Mr. NORRIS. Certainly. That was the ruling price in New York at that time, and the Philadelphia and Reading was making prices for New York.

#### BITUMINOUS COAL.

The bituminous coal supply of Philadelphia and vicinity, amounting to 900,000 tons a year, has also been taxed by discriminations of the

railroad companies, more particularly of the Pennsylvania Railroad Company. This was made possible by a combination with the Baltimore and Ohio Railroad Company to control the output of certain regions, and also through a combination or traffic agreement by the Pennsylvania Railroad Company, controlling the Philadelphia, Wilmington and Baltimore Railroad Company, with the Chesapeake and Delaware Canal to check the competition in bituminous coal from Baltimore to Philadelphia, and the anthracite coal from Philadelphia to Baltimore. The Pennsylvania Railroad Company has gone so far that to a shipper in Western Pennsylvania on the Pittsburgh vein it gave this kind of a rating:

For carrying coal for gas-making purposes, delivered at Philadelphia, \$4.80 per ton, which, considering the fact that the Westmoreland and Penn Gas Coal Company were selling coal at \$4 a ton in Philadelphia, was simply prohibitory.

For coal for steam-making purposes, the same coal from the same pit was carried for \$2.40 per ton, and when one company attempted to use for gas-making purposes this coal, which had been shipped on the steam-coal rate, the charge was raised by the railroad company to \$4.80 per ton, which was prohibitory and stopped the supply.

The Philadelphia city councils appointed a committee in 1881 to investigate our gas trust management, and in the course of that investigation it was found that the city had been charged extortionate prices for gas coal. We use 300,000 to 350,000 tons of gas coal a year at our city gas works, controlled by a board of trustees elected by the city councils. At the time that the Pennsylvania Railroad Company was hauling that coal for the city and allowing no drawbacks it was hauling for private individuals in Philadelphia and allowing drawbacks; it was hauling to New York and to Wilmington, and was allowing drawbacks; so that the Philadelphia gas works in one year paid \$5.93 for Westmoreland and Penn Gas Companies' coal, while at the same time the House of Correction, another department of the city government, using only 2,000 tons of Penn gas coal, or one one hundred and fiftieth of what the Philadelphia City gas works consumed, obtained its coal supply for \$3.99 a ton, a difference against the city gas works of \$1.96 a ton. In five years the city lost \$1,250,000.

Senator GORMAN. Was that \$1.96 the difference in the railroad charges?

Mr. NORRIS. That was the difference in the cost of the coal delivered.

Recently, probably two or three years ago, a committee of the trustees of the city gas works called at the Pennsylvania Railroad office to ascertain if it were possible to secure a reduction in the price of coal. The trustees felt that somewhere between the producer, the Westmoreland and Penn Gas Coal Companies, and the railroad company the city was being charged an excessive price. So they asked first from various coal companies for bids for coal, and after they had received these proposals they asked the Westmoreland Company for the price of the coal at the mine, and having obtained that figure, they visited the Pennsylvania Railroad Company's office and calling on one of the vice-presidents, asked for a rate from the mine to Philadelphia, and the rate which they received made the cost of the coal 5 cents in excess of the price they were paying. That is, the rate for transportation added to the price which the Westmoreland Company would have charged at the mine was 5 cents a ton excess of the price at which the Westmoreland Company would have delivered it at the works in

this city. At that time these gentlemen complained to the vice-president; they said that the city had treated the railroad company with great consideration, had at its inception subscribed largely to its stock, had given up miles of streets for its business, and they felt that some fairness was due to the municipality, and that the city of Wilmington, 28 miles further from the mines, using one-eighth of the supply which the Philadelphia City gas works required in a year, was obtaining its coal for 35 cents a ton less than the Philadelphia gas works. The vice-president—so the committeemen told me, and so you can ascertain from the trustees if you deem it proper to go into that inquiry— informed them that they were elected to look after the interests of the gas works and he was elected to look after the interests of the stockholders of the Pennsylvania Railroad Company, and dismissed them.

Senator GORMAN. Is the city still a stockholder in the railroad?

Mr. NORRIS. No, sir. About three or four years ago the city sold all her stock to the Pennsylvania Railroad Company. The Pennsylvania Railroad Company makes prices for city trade differing from those for outside delivery. I think the rate is somewhat lower now, but some months ago the rate from Clearfield to Philadelphia over the Pennsylvania Railroad for Philadelphia consumption was \$2.10 per ton. If, however, that coal were to be shipped outside of the Delaware capes the charge would be \$1.45 a ton to some shippers and to favored shippers it did go as low as \$1.10 a ton, a clear discrimination against the people of Philadelphia of \$1 a ton. The discriminations on Clearfield coal, on gas coal, and on anthracite coal have not only been with reference to localities but also with reference to individuals. In the Clearfield region there are two firms which obtain rates that other shippers do not obtain, and the drawback books of the Pennsylvania Railroad Company will show those figures. Berwind, White & Co. had their coal carried for \$1.20 a ton, and J. C. Scott & Co. for \$1.10 a ton, while the people of Philadelphia were being charged \$2.10 a ton for the coal they used. The condition of affairs in the Clearfield region growing out of that has been such as to almost impoverish a great many operators there and to build up a few favorites at the expense of men who have as good a right under the law to ship coal, for they are guaranteed by the State constitution equal rights over the railroads, and by the charters of the companies and by the contract which the Pennsylvania Railroad Company made with the State in 1861 in what is known as the commutation of tonnage act. At that time the Pennsylvania Railroad Company made a contract with the State by which it agreed to charge no greater sum for a short haul than for a longer haul in the same direction.

The CHAIRMAN. That is in your constitution?

Mr. NORRIS. No; that was in the commutation of tonnage act of 1861 under a contract made for a consideration between the Pennsylvania Railroad Company and the State.

The CHAIRMAN. Is there not some such provision in the constitution?

Mr. NORRIS. There is a provision in the constitution practically to that effect, but that is ignored.

Senator GORMAN. Where is this contract to be found?

Mr. NORRIS. The original copy of the contract between the Pennsylvania Railroad Company and the State is to be found in the auditor-general's office, and it will be found in the pamphlet laws of Pennsylvania for 1861, known as the commutation of tonnage act, which at the time created considerable talk in Pennsylvania.

The CHAIRMAN. Do you know whether the parties who get lower rates own their cars?

Mr. NORRIS. I have not the slightest idea.

Senator MILLER. Can you give us anything further in regard to the shipment of coal from Pennsylvania outside of the State? These complaints are very interesting and desirable to have, but our investigation goes rather to interstate commerce than to mere local matters. What you stated in regard to the rate to New York is entirely apropos, and to Wilmington, Del., and to Baltimore. Do you know anything about the statement which has been made here that the rate on coal from the mine to Boston was the same and no more than from the mine to Philadelphia?

Mr. NORRIS. The only prices that I am at all conversant with are those from the mines to Philadelphia, whether for home consumption or for outside shipment from Greenwich piers or Port Richmond.

Senator MILLER. Do you know what the rate on coal from here to Boston is by water?

Mr. NORRIS. It did rule from \$1.10 to \$1.25.

#### RAILROAD COMBINATIONS.

Senator GORMAN. I understand that the coal tariff does apply as well to interstate commerce as to coal used in this State, that is, the corporations in this State discriminate against this city and localities in New Jersey.

Mr. NORRIS. Not only corporations of this State, but a corporation of Maryland, the Baltimore and Ohio Railroad Company, combines with the Pennsylvania Railroad Company in a pooling arrangement by which Philadelphia is delivered over to the Pennsylvania Railroad Company and Baltimore to the Baltimore and Ohio Railroad Company to the same extent.

The CHAIRMAN. So that both communities are in the grasp of those two railroad corporations?

Mr. NORRIS. Yes, sir, to that extent.

#### COAL PRICES AT PHILADELPHIA AND OTHER POINTS.

Senator MILLER. The difference charged upon the coal for consumption in Philadelphia and for shipment outside of the capes is how much in round numbers, as you have stated it?

Mr. NORRIS. The difference in the net cost of the coal delivered at the two points is \$1.05, but I want the committee to understand that all that discrimination is not directly in the transportation.

Senator MILLER. I understand it comes out of both the party owning the mine and the transporter, but I want to get at the actual difference.

Mr. NORRIS. I have here a statement showing what was the cost of the ton of coal for the Philadelphia trade and the cost of the coal for the Boston trade at the mines and the charges from the mines to Philadelphia.

The CHAIRMAN. Give us that with the date.

Mr. NORRIS. In the Record of June 3, 1884, I stated that the cost of a ton of stove coal at the mine for Philadelphia trade was \$2.75.

Senator GORMAN. Is that on board the cars at the mine?

Mr. NORRIS. At the mine, and the same coal at the same point for the Boston trade was \$2.27; that the lateral tolls from the mine to

Schuylkill Haven, and then from Schuylkill Haven over main line to Philadelphia averaged for Philadelphia trade \$2.05 and for Boston trade \$1.48, making a discrimination in the transportation charge on that item of 57 cents and a discrimination by the railroad company, acting in the capacity of producer, of 48 cents.

Senator GORMAN. The railroad company as a miner?

Mr. NORRIS. Yes, sir.

Senator MILLER. Making a total of how much?

Mr. NORRIS. A total of \$1.05.

Senator MILLER. You say the rate by water from Port Richmond to Boston has been ordinarily from \$1 to \$1.25?

Mr. NORRIS. I am not conversant with that. I have simply seen the quotations. They vary from \$1.10 to \$1.25.

Senator MILLER. If, then, the water rate from Port Richmond to Boston should be a dollar, or say \$1.05, the statement would be true that the coal was laid down in Boston at the same price that it was for consumption in Philadelphia?

Mr. NORRIS. I think the wholesale price was a trifle more.

Senator MILLER. But if the rate had been \$1.05 from Port Richmond to Boston the statement would have been true at that time that it was laid down in Boston at precisely the same price as it was laid down in Philadelphia for Philadelphia consumers?

Mr. NORRIS. Yes, sir.

#### OTHER DISCRIMINATIONS.

Now, with your permission, I will give instances of discriminations on other articles. In a recent war over Michigan business from New York City, a Pittsburgh merchant in order to get a cheap rate to Michigan shipped his goods east from Pittsburgh to New York over the Pennsylvania Railroad and back again from New York past Pittsburgh to Michigan, the company making an unnecessary haul of nearly 900 miles and carrying the goods all of the distance for less than it would carry direct from Pittsburgh to Michigan. Philadelphia manufacturers in order to reach the West at living figures are forced to ship to New York and back again over the Pennsylvania Railroad past Philadelphia to the West. A furniture dealer whom I know ships his goods from Philadelphia to New York through the Raritan Canal and then bills from there to Johnstown, Pa., 277 miles from Philadelphia, and does it for less than he can ship direct from Philadelphia to Johnstown. Iron men of Centre County, Pennsylvania, complain that the Pennsylvania Railroad Company charged them \$3 per ton to carry their product to New York while the same company was carrying iron from Richmond, Va., to New York for 85 cents a ton. Three transportation companies, the New York Central, the Erie, and the Pennsylvania line, discriminated against the individual oil shippers of Pennsylvania and built up that powerful monopoly, the Standard Oil Company, until it became strong enough to dictate terms to them in carrying their product to the sea-board. According to letters submitted and testimony given in the suit instituted by the Commonwealth of Pennsylvania against a number of carrying companies operating in New York, New Jersey, and Pennsylvania, the Standard Oil Company exacted from the transportation companies mentioned a commission varying from 20 to 30 cents a barrel on all oil shipped out of the producing region, whether sent by the Standard or by its competitors.

The discriminations of the railroad companies in the charges for our



fuel have interfered with the establishment in Philadelphia and vicinity of potteries that cluster around Trenton, N. J. A manufacturer in the glass business called at the Record office recently to tell me that his firm, paying out \$18,000 weekly in wages, was forced to dismiss all thought of locating in Philadelphia because of the excessive charges for coal transportation imposed on us. The policy of our carrying companies in favoring other localities over Philadelphia has driven some of our manufacturers from Philadelphia to New York. Our grain trade has also been diverted to Baltimore and to New York. The food supply of the State has been taken from our farmers and handed over to Western growers, who are enabled to ship grain from Chicago to the seaboard for less than the farmers in the interior of Pennsylvania can ship it to the same points. For instance, at the time that the Pennsylvania Railroad Company was charging 13 cents per hundred pounds, or \$2.60 per ton, for carrying grain from Huntingdon to Philadelphia, a distance of 200 miles, it was carrying the same article from Chicago to Philadelphia for 12 cents per hundred pounds, or \$2.40 per ton. I have the authority of prominent members of our commercial exchange for the statement that the Pennsylvania Railroad Company was carrying grain through from Chicago to Liverpool for less than it was carrying grain from Chicago to Philadelphia. There is in the speech of Mr. John P. Green, assistant vice-president of the Pennsylvania Railroad Company, before a Congressional committee, an attempted defense of the practice of carrying grain from Chicago to Philadelphia for 6 mills per ton per mile, while charging only 5 mills per ton per mile for grain brought from Chicago to Philadelphia for shipment to Liverpool. The milling business in our State has been almost entirely extinguished by discriminations.

The Pennsylvania Railroad Company has afforded every facility to Western shippers for doing business on its main line, and permits them to send flour in ten-barrel lots at low figures. Not so with Pennsylvania flour men. They can only reach a limited territory. The Pennsylvania Railroad carries ten barrels of flour from Akron, Ohio, to Philadelphia, a distance of 475 miles, for \$3.90 a ton. The same company charged \$6 a ton for sending seventy-five barrels of flour from Philadelphia to Clearfield. By reason of these discriminations the Western men are reaching the small trade which Pennsylvanians cannot get. One mill of which I have personal knowledge is losing \$50 a day through this practice.

The losses to the farmers at non-competitive points in the State have been computed by a committee of the State board of agriculture at from 6 to 8 per cent. on the annual product of their lands, and the census of 1880 showed that while the average of improved land had increased, and while the proportion of our non-agricultural population had increased in 1880 so that each farmer fed four other workers, as compared with three workers in 1870, yet the value of our agricultural product had declined at the rate of \$22,000,000 a year.

Lumber dealers in Centre County, Pennsylvania, have been unable to compete with Michigan firms in supplying interior towns of our State, such as Hanover and York, and they have been driven out of the business because of railroad discriminations.

Let me relate an extraordinary case complained of by the Wilkes Barre Board of Trade at a meeting of a committee of the Pennsylvania legislature. A merchant of Wilkes Barre, Pa., purchased a car-load of potatoes at Rochester, N. Y., and had the freight bill made for a delivery to Philadelphia because the freight to Philadelphia was less than it

was to Wilkes Barre, which is 143 miles nearer. He stopped the potatoes at Wilkes Barre, unloaded them, and paid the freight. A few days later he received a bill from the Lehigh Valley Railroad Company for \$12 additional freight. If the potatoes had gone to Philadelphia he would have paid \$48 freightage; as they stopped at Wilkes Barre, he had to pay \$60—that is, \$12 for not hauling the car-load 143 miles.

The CHAIRMAN. Have you completed your statement?

Mr. NORRIS. With reference to these discriminations, yes, sir.

#### THE COURSE OF PENNSYLVANIA.

The CHAIRMAN. You have shown very clearly that there have been discriminations going on here among men and localities in your own State by the transactions of these railroads, and also between different sections outside. I believe it is true that your State has no railroad commission?

Mr. NORRIS. That is true. We have a secretary of internal affairs who, under the State constitution, is vested with the supervision of the railroads, subject to the regulation of the State legislature, but thus far the State legislature has restricted his power to merely clerical work.

The CHAIRMAN. As a matter of fact he does very little about them except to see that they pay their proper share of taxes.

Mr. NORRIS. He gathers statistics relating to the business of the companies.

The CHAIRMAN. That was my conclusion from my investigation of the reports he has kindly furnished me. Now have you any definite view in reference to the duty of Congress in the premises, looking to the regulation of commerce among the States?

#### OBJECTIONS TO A NATIONAL COMMISSION.

Mr. NORRIS. I have considered the matter more with reference to State legislation than to national legislation, but the same point would apply in both probably. A commission would be dangerous. In the first place it would bring the railroad interest into politics. If the commissioners are to be appointed by the President, the railroad interest has some concern in the election of a President and it would be more harmful to the railroad interest than to the public. That is probably a misstatement, because the interests of the two are reciprocal, and what affects one would in the end affect the other; hence the creation of a commission would be harmful to all interests. It would give an almost autocratic power to some few men and a discretion which, considering the importance of the interest involved, would be an extraordinary one.

#### RAILROAD COURTS.

A railroad court or a series of railroad courts ought to be provided, or the questions arising under this subject ought to be passed on by the judiciary. Any body which attempts to handle the subject should have judicial functions.

The CHAIRMAN. In England they have a special tribunal in the nature of a court for the consideration of all railroad matters and for passing judgment on all complaints. It is a special tribunal, having nothing to do as a court with any other kind of business. Is it your idea that we ought to have some such special tribunal as that in this country?

Mr. NORRIS. That is precisely what I believe will tend towards the solution of this problem. I want to be understood as not favoring the creation of a commission, or the creation of any judicial body to fix rates. I believe that the central authority should be very careful, and avoid paternal legislation; that beyond the establishment of broad principles, such as that covering the short haul and the long haul, publicity of rates, and criminal penalties for violation of the posted schedule, this body should go no further until the railroad companies are themselves prepared to accept that which in the end they must come to. You may enact laws for publicity of rates and criminal penalties, the creation of a commission, the prohibition of pools, if you please, and prohibition of drawbacks, but you will never reach the root of the trouble until in some way you prevent or prohibit bankrupt railroad companies from competing with solvent companies.

#### MINIMUM RATES.

The CHAIRMAN. How would you go to work to do that? Have you any definite idea as to what the Government ought to do in reference to that question?

Mr. NORRIS. The fixing of a minimum rate I regard as the most effectual method.

The CHAIRMAN. What basis would you fix that upon?

Mr. NORRIS. Adjusted as nearly as possible. I know that the railroad experts say it is impossible to fix it accurately, but adjusted as nearly as possible to the cost of the service.

The CHAIRMAN. What would you take into account in fixing the cost of service?

Mr. NORRIS. Instead of calculating the minutiae pertaining to each service, there should be a system of averages, for which Mr. Blanchard argued so eloquently before the Hepburn investigating committee in New York; not that he argued for a system of averages in this particular connection, but in estimating the cost of service he said it could only be ascertained approximately and by a system of averages. By fixing the minimum rate, below which transporters could not go, companies would be prevented from carrying some articles at ruinously low rates and taxing other articles to reimburse for the losses thus incurred. They carry grain at less than cost, because they are in competition with bankrupt railroads and with waterways, and there they tax all the agricultural interests of Pennsylvania, losing on a proportion of the through traffic, and forcing the local traffic to make up the deficiency.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. Do you think there ought to be something done to regulate the long and short haul question?

Mr. NORRIS. Unquestionably. There may be propositions stated where at first impression the short haul might stand a higher charge than the longer haul, but stated as a principle to regulate this vast interest it is a proper one, and it goes back to the original idea of the common carrier. By an assumption of a function that does not belong to them, the railroad companies have become the regulators of the commerce of the country, to which capacity the railroads have forced themselves, usurping a power which belongs to the national authority.

The CHAIRMAN. Suppose, for instance, four or five trunk lines running from Chicago to the East are in a contest for the carrying of the

articles to be transported, and they get the rate down to just simply a price that will enable them to carry without loss?

Mr. NORRIS. You mean without loss on motion of wheels?

The CHAIRMAN. Yes, without loss on the running train and the loading and unloading, or suppose they make the slightest profit, would you prohibit the railroads from carrying at that rate, even though they charged a higher rate on the local traffic along the line of the road?

Mr. NORRIS. I can answer that best by giving you an illustration of the way in which the railroad manager computes his profits for the year. Take a supposititious case. The manager of a railroad extending across Pennsylvania figures that in the coming year he will obtain 10,000,000 tons of local traffic business, which must come to him, business which is tributary to his line and can go to no other road. At an average charge of 1 cent per ton per mile he can pay for the cost of moving that particular traffic and pay all general expenses and fixed charges of the road. He argues then with considerable plausibility that if at some western competing point he can obtain 2,500,000 tons of through traffic at an average charge of three-fourths of a cent per ton per mile he can make enough profit over and above the cost of moving that particular freight, that is the expense which he is put to in moving that particular freight over and above the expense to which he would be put if he did not move that particular freight, to make a profit, and from the receipts of moving that 2,500,000 tons of through traffic at three-fourths of a cent per ton per mile he could obtain enough profit to declare a dividend to his stockholders, and he necessarily argues that his profit is therefore in his through traffic and not in his local traffic, ignoring the fact that he is taxing the local shipper, who is dependent on him, and he is exempting from that taxation the through shipper who is not tributary to him, and who has his choice of lines. The railroad company is thereby building up the through shipper, building up the interests and the industries in a Western State and destroying the interests and industries along his own line, and creating an artificial condition of affairs which is not justified, and which works unfairness to the local shipper, works unfairness to the man who has been guaranteed equal rights by the charter of this railroad company and by the common law which requires the railroad company to carry for all persons alike on the same terms and at the same rates. The effect is easily seen. Take the illustration of a shipper, say at Huntingdon, Pa., about 200 miles from Philadelphia, and another shipper at Columbus, Ohio, about 500 miles from Philadelphia, and assume that both shippers are engaged in the production of iron; that both of them are so situated that they turn out the finished product at the works at the same cost, say \$17 per ton. The local shipper at Huntingdon, applying to the Pennsylvania Railroad Company, say for a rate from Huntingdon to Philadelphia, is given a rate of \$3 per ton, so that he delivers his iron in Philadelphia at a cost to him of \$20 per ton. The Columbus man being at a competitive point, and having a choice of lines, can, under this argument that the through shipper should have an advantage over the local shipper, obtain from the railroad company a rate of \$2 per ton delivered at Philadelphia. The result is that this iron is delivered at Philadelphia for \$19 a ton. He can sell it for \$19.50, making a profit of half a dollar. He can undersell the Huntingdon or local shipper, and the inevitable result is to destroy the local shipper and build up the Columbus man, destroying the interests which are tributary to, and upon which the main line of the Pennsylvania Railroad must subsist. The business is transferred to the narrow margin which is made on competitor at competitive points. The same

principal which applies in this case will apply in nearly every case upon the long and short haul.

The CHAIRMAN. What do you think ought to be done by Congress to prevent the inequality or the unjust discrimination proceeding from the charges for the long and short haul?

Mr. NORRIS. I think the general principle should be laid down in interstate commerce, and, I think, every State should enunciate the same doctrine with reference to State commerce, that the charge for the short haul should not be greater than for a longer haul in the same direction.

The CHAIRMAN. You would be content with such a legislative enactment on that point?

Mr. NORRIS. Yes, sir.

The CHAIRMAN. Prohibiting a greater charge for a short than a long haul?

Mr. NORRIS. Yes, sir. Let me again illustrate. The Pennsylvania Railroad Company has carried grain from Chicago to the sea-board at 12 cents per 100 pounds, whilst charging from points in the interior of Pennsylvania, 200 miles distant from the sea-board, and only one-fourth the distance that Chicago is from the sea-board, 13 cents per 100 pounds, or \$2.60 per ton, an excess of 20 cents per ton against the shipper who is 600 miles nearer the sea-board. So while he is geographically 600 miles nearer artificially he is farther away from the sea-board, and is deprived of the natural advantage. At the least he is entitled to the same rate, and certainly should be protected by law from a greater rate.

#### EFFECT OF POOLING ARRANGEMENTS.

If you will permit, I desire to refer to one point which I have in mind in connection with Mr. Blanchard's statement the other day before your committee, that the farm lands in New York had increased from \$50 to \$300 an acre in some places, I think, and that as the result of the the pooling arrangement, the territory between Chicago and Omaha, which is subject to a very arbitrary pool, had grown enormously. I simply want to suggest the probability of this growth of territory between Chicago and Omaha being due not to the compactness of the pools but to the low charges for carrying grain from Chicago to the sea-board, while other sections east of Chicago, and especially east of the trunk line terminally, are forced to pay successive charges, thus placing the Chicago shipper nearer tide than the Pennsylvania farmer is. Coupled with the cheapness of the land, this would account for the emigration of our labor to that territory.

In the State of Pennsylvania in 1880, the farm lands as returned by the census report for that year had depreciated about 25 per cent. from the value per acre for 1870.

Senator MILLER. May not some or all of that be due to the fact that in 1870 gold was at a premium and in 1880 it was at par?

Mr. NORRIS. That would probably account for a greater part if it were not so that in the State of Pennsylvania, in 1870, the proportion of the farmers to the whole workers was one-fourth, so that each farmer had three other workers' families to provide for, while in 1880 the farmer had four other families to provide for, the non-agricultural population having increased from 75 per cent., in 1870, to 80 per cent., in 1880. Another evidence of that is the fact that taking the gold measure, the agricultural production of the State of Pennsylvania in 1880 was \$22,000,000 less on a gold basis than in 1870; that is assuming that in

1870 gold was at a premium of 25 per cent. and in 1880 it was at par. There is hardly a State in the Union which is better adapted for agricultural development than the State of Pennsylvania. It has been so cited in the reports of the Department of Agriculture, and for the reason of the large non-agricultural population which provided a home market for all of the domestic production. The figures of our State board of agriculture indicate that in the single item of wheat the State of Pennsylvania consumes 4,500,000 bushels of wheat more than it produces, and yet our production of wheat is falling off, although our acreage of improved land has increased, and while I will concede that to the non-agricultural population cheap bread in so far as it reduces the cost of living is a public benefaction, yet in the State of Pennsylvania that does not amount to more than five hundred and odd thousand dollars a year. I figure it up, on the statements which the Pennsylvania Railroad Company and the State board of agriculture had prepared, that in the item of grain we were saved \$522,000 a year, while to reimburse the railroad companies for their low charges on western products which are sent to Europe we pay in the East, not Pennsylvania merely, but in the Eastern States, about \$17,000,000 a year, which is levied upon the local traffic to reimburse the railroad companies for losses on through traffic; and the tax which the Pennsylvania Railroad Company imposes on us according to my computation is \$4,800,000.

Senator MILLER. To what do you attribute the decrease in the value of the farm products of Pennsylvania between 1870 and 1880, if your figures are correct, and I do not undertake to say they are not? I have had occasion to compare farm products of many other States, and instead of showing a falling off during those years they showed a very great increase. As you state that your estimate is made in gold in both years, of course the difference in the currency does not account for it. Is there a difference in the actual amount of farm products or a difference in the price?

Mr. NORRIS. I base it simply on the difference in the price, which was, according to the figures, \$54,000,000, and reduced to the gold basis it was \$22,000,000.

Senator MILLER. I wish to know whether the State of Pennsylvania actually produced less farm products in 1880 in quantity than it produced in 1870, or was the quantity in 1880 \$22,000,000 in value less because of a fall in the price of all farm products between those two periods?

Mr. NORRIS. I cannot answer that question. I can say that the acreage of improved land had increased in 1880 as compared with 1870.

Senator MILLER. Is it not fair to assume that the quantity of products was necessarily greater in 1880 than it was in 1870, and that that increase is constantly going on?

Mr. NORRIS. Certainly.

Senator MILLER. Then it must have been due to a fall in prices, and if it was due to a fall in prices is not that largely owing to the fact that the great trunk lines had largely reduced the cost of transportation of grain from the West to the East, and that that competition of the West with the East has forced our prices down? In other words, the farmer in Pennsylvania has been getting less for his wheat and less for his butter and his cheese, and less for his everything than he would have gotten if the railroad rates had not been reduced between the years of 1870 and 1880.

Mr. NORRIS. I am under the impression, from Mr. Blanchard's figures before the Hepburn committee—I have them here, and can readily refer

to them if you desire—that the farm products of New York increased. In Pennsylvania the production of wheat, Indian corn, and oats, decreased in 1880 as compared with 1870. I presume that the railroad rate reduction had lower the prices which the Pennsylvania farmer received.

#### EFFECT OF WATER-ROUTE COMPETITION.

I attributed the appreciation in values in New York to the fact that the open waterway regulated the prices which the railroad companies could charge, and in a measure restricted their exactions.

Senator MILLER. Would not the open free waterway in New York tend to bring the West more directly in competition with the farmers of New York than the railroad brings the Western farmer in competition with the farmer in Pennsylvania? Ought it not to act against New York? And that is one complaint of the farmer of New York, that the Erie Canal is not to his advantage.

Mr. NORRIS. That is not so, for this reason: In a home market the home farmer has the advantage over the Western farmer of whatever transportation rates the Western farmer may be subjected to; and, as a matter of fact, in Pennsylvania the production per acre is greater than in nearly any State in the West, where the virgin soil is being tilled, and where they are not resorting to fertilizers.

Senator MILLER. It is a very curious fact, but it is a fact, that the farm products of Pennsylvania fell off either in quantity or in value between the years 1870 and 1880, whilst those of New York, a State similarly situated, and having a population both of farmers and manufacturers, should have increased.

Mr. NORRIS. It is one of the most remarkable points that occurred to me in my investigation of the subject, and I have been directing my attention to it.

Senator MILLER. Have you been able, as yet, to discover the cause?

Mr. NORRIS. So far as I have gone—I confess I have not gone as far as to be satisfactory to myself—I saw no other explanation of it than the fact that in New York there was a large section of country which had the advantage of the open waterway, while Pennsylvania was practically barred from that; the railroad companies in the State have absorbed our waterways, and have been abandoning them.

Senator MILLER. As a matter of fact, let me state that the farm population of New York, particularly of Central New York, scarcely use the canal at all. It is safe to say that not nearly 5 per cent. of their products ever goes on the canal at all; they are carried entirely by rail, and the farmers of New York, to a very large extent, complain that the Erie Canal injures rather than benefits them, by bringing them in direct competition with the western farmer and giving him the same rate of freight they get.

Mr. NORRIS. While that may be true, yet, as a matter of fact, because the Erie Canal does not carry more than 5 per cent. of the agricultural products of the interior of New York, it nevertheless acts as a regulator upon the prices of those railroad companies for that transportation, and the instant those railroad companies raise their charges above the figures which would be charged on the canal the trade would drift from the railroad companies to the canal. That is also illustrated in the city of Philadelphia to-day. Our newspaper, simply for the purpose of making a break against a combination of producers and carriers and retailers, when the price of coal was \$6.50 per ton, broke it to \$5.75 by entering into contracts by which we were enabled to sell it at that fig-

ure. We have since reduced it to \$5.50 per ton, and although we sell only 30 tons a day now, we nevertheless regulate the price in Philadelphia on daily sales of 3,000 tons, and keep it at that figure.

Senator MILLER. But is it not true that the Erie Canal regulates the freight upon all Western products as thoroughly over the Pennsylvania Railroad or over the Baltimore and Ohio Railroad as it does over the New York Central or Erie Railroad?

Mr. NORRIS. It does for and between competitive points, and that simply illustrates the advantage of the short-haul provision, because then every intermediate station between competitive points would at least get the benefit of whatever competition there might be, and there would be a health infused into all the trade of that locality. I do not mean an unhealthy competition; I do not mean transportation at less than cost, but that which is based on sound business principles, such as prevail in mercantile life.

#### LOCAL RATES IN NEW YORK AND PENNSYLVANIA.

Senator GORMAN. Have you made an examination into the local charges on the railroads of New York as compared with those of Pennsylvania?

Mr. NORRIS. I made no examination other than those which were published in Mr. Blanchard's testimony before the Hepburn investigating committee, wherein he gave the tables of the local charges of all the companies for given distances, and his figures seem to indicate that the New York charges, especially on the Erie, in which he was interested, were much lower than on the Pennsylvania lines.

Senator GORMAN. You have not followed that far enough to know whether that would account for the statement you make of the value of products in Pennsylvania as compared with New York?

Mr. NORRIS. No, sir.

Senator GORMAN. That probably might furnish an answer.

Mr. NORRIS. Taken in connection with the fact that the Pennsylvania Railroad Company on the main line makes a profit of 22 per cent. on the cost of its road and equipment, the local charges of the Pennsylvania Railroad are certainly excessive, not the average local charges, but the local charges in particular instances. The average local charges leave considerable of profit, and give 22 per cent. profit on the cost of the road and equipment, but there are many local charges on articles from particular places which bear no proportion to other articles or other localities.

#### PROPOSED LEGISLATION IN PENNSYLVANIA.

The CHAIRMAN. As I understand, you have been giving this subject considerable attention within the last year, and have been trying to get something done by your State legislature. Is that true?

Mr. NORRIS. Yes, sir.

The CHAIRMAN. What have you been trying to get the State legislature to do in the way of regulation of commerce in the State?

Mr. NORRIS. We attempted to secure the passage of a bill which provided for the publicity of rates, and for criminal penalties for discriminations. Publicity of rates we attempted to restrict to points within the State; and as to criminal penalties, we had about concluded that all we could possibly do was to restrict the penalties to a violation



of the posted schedule, that is to charging more or less than the posted schedule. That was the only way in which a crime could be defined. We, however, ingrafted into the bill three clauses of article 17 of our constitution, bearing on railroads, providing against discrimination, and providing for the short haul.

The CHAIRMAN. Which you wanted to incorporate into an act of the legislature?

Mr. NORRIS. Yes, sir.

The CHAIRMAN. I understand there has been no legislation heretofore bringing into force the provisions of the constitution.

Mr. NORRIS. That statement was made here yesterday. I did not make it and it was not correct. There has been an agitation on this subject for twelve years or more in Pennsylvania, and in 1873 the leading points of it were put into the new constitution and adopted by the people. Section 12 of that article provided that the legislature should enforce the provisions relating to railroads by appropriate legislation. No bill was passed until 1883, when the original bill was mangled so as to make it apply to shipments under the same conditions and similar circumstances and in the same period of time. For practical purposes that bill is absolutely worthless. To the knowledge of the railroad men there has been no suit brought under it and it is doubtful whether anything could be obtained under it for the reason that the circumstances regulating transportation are as manifold as the influences that affect the currents of the wind and of the sea.

#### REMEDIAL NATIONAL LEGISLATION.

The CHAIRMAN. As I understand you, you would be in favor of some sort of a special tribunal with judicial authority appointed by the Government for the enforcement of any law that might be passed having for its object the regulation of interstate commerce?

Mr. NORRIS. Yes, sir.

The CHAIRMAN. You would be in favor of a law providing for publicity of rates?

Mr. NORRIS. Unquestionably.

The CHAIRMAN. Would you be in favor of a law prohibiting drawbacks and rebates?

Mr. NORRIS. No, sir. So long as the posted schedules would provide for the granting of rebates or drawbacks under conditions which were general, and applied to and could be availed of by every shipper, and so long as the amount of the drawback did not violate the short-haul principle and did not work discrimination to other articles, I see no objection.

The CHAIRMAN. You would not interfere with it?

Mr. NORRIS. Certainly not. I can imagine a great many circumstances under which that might be a very proper thing.

Senator MILLER. Is not the drawback system as now practiced the principal means of bringing about unjust discriminations between different shippers?

Mr. NORRIS. Yes, sir; it is the instrument for it. One other provision should be made, however, with reference to the drawbacks, possibly, that if they were to be allowed upon conditions which were known and availed of by everybody, the allowance should be accessible to the public in such manner that any violation of it might be punished. That opens the entire question of public accounts for railroad companies.

## ALLISON WHITE'S STATEMENT.

ALLISON WHITE (of the firm of Berwind, White & Co., coal operators) appeared and said:

I am one of the party named by the gentleman whom you have just heard as getting special rates—Berwind, White & Co. I am engaged in the soft-coal business.

The CHAIRMAN. You have heard what has been said. If you have any thing to say in enlargement of it or in contradiction of any statement made here, or have any special views on the subject, proceed to give them.

## LOCAL AND THROUGH RATES.

Mr. WHITE. I have this to say in regard to local rates on local traffic: it costs the railroad from 40 to 50 cents a ton more to transport and do business on local traffic than it does on through traffic.

The CHAIRMAN. How much more?

Mr. WHITE. From 40 to 50 cents more for transporting local freights than through freights; that is, where a train of cars is made up at the mine with 1,200 or 1,500 tons of coal, running directly to the point of shipment, it can be shipped at a rate from 20 to 50 per cent. cheaper than it can if they make up a train to stop at every place where they use coal along the line of the road, and take up the time of the officers, engines, and so on.

The CHAIRMAN. Do you know that as a railroad man?

Mr. WHITE. I know that from experience.

The CHAIRMAN. You mean your experience as a shipper of coal. Do you mean to say that they charge you 40 or 45 per cent. more?

Mr. WHITE. No; I mean that it costs 40 or 50 per cent. more to run the local trains than it does to run the through trains.

The CHAIRMAN. You only learn that from the railroad men, unless you have been engaged in the business?

Mr. WHITE. I learn it, too, from the time it takes to run the local trains. I gather it in that way. I know that in running through trains, where they do not make any stops, there is less wear and tear on the machinery; they run directly to the shipping point, they unload their cars and go back, and they can make probably four trips a month to the Clearfield region, while upon a local train they cannot make more than two.

## RATES ON COAL.

The CHAIRMAN. Do you sell coal, put on the cars at your mine, at the same rates to go to Philadelphia as where it goes to Wilmington, Baltimore, or Boston?

Mr. WHITE. Yes, sir; we sell coal at the mines at the same rate; it does not make any difference where it goes, so far as the mines are concerned; but if we come in competition with the coals from Europe or from Sidney or from Pictou, and we want to do business in competition with those people, we must have a lower freight rate than the local freight rate or we cannot compete with them.

The CHAIRMAN. You have no interest in any railroad or transportation company?

Mr. WHITE. No, sir; no stock except in one little concern.

Senator MILLER. You think, then, a railroad company can haul a train

Mr. WHITE. No, sir; I am speaking of trains starting from the same place.

Senator MILLER. From the coal mines and coming toward Philadelphia?

Mr. WHITE. Yes, sir.

Senator MILLER. You think it must charge from 40 to 50 per cent. more to stop a train of coal at some intermediate station?

Mr. WHITE. What I mean is this: You make up a through train of cars at the mines; you start, for instance, on Monday morning; you make up a train to run to Greenwich. That train, if made up, can be weighed on Monday night at the scales, and on Tuesday night it will be at Greenwich, ready to unload. Make up a train the same morning for local delivery, to stop at thirty or forty different places along the line, and it will take that train twenty-four hours longer to get to Philadelphia than it did the through train, and all that additional expense, of course, has to be counted in the railroad service. It will take them a day to make up the train so as to distribute it properly along the road; then it will take another day to distribute, because at every point they stop they probably consume an hour; and the stopping and starting of trains is a great deal more strain upon the machinery than where they run directly through.

Senator MILLER. Of what does this extra cost of 40 or 50 per cent. on local over through business consist? It does not consist of any of the fixed charges—interest on the bonds, or expenses which are called fixed and permanent?

Mr. WHITE. If they can make but two trips a month on local freight and four trips a month upon through, they certainly get just twice as much, assuming that the freight is precisely the same, per month on the through train as they do on the local train.

Senator MILLER. But the road is not taxed to its full capacity. It has capacity to do all the business it is doing and a great many times more.

Mr. WHITE. That may be. Of course they can bring all the local freight as well as the through, but they cannot do it as cheaply as they can the through.

Senator MILLER. The principal cost of hauling a train consists in the fuel, does it not, and the number of men that go on the train?

Mr. WHITE. Yes, and the wear and tear upon the train.

Senator MILLER. You say that all these items make it cost 40 or 50 per cent. more to carry a local train?

Mr. WHITE. I should judge it was about that.

Senator MILLER. Have you ever managed a railroad?

Mr. WHITE. No, sir; never.

Senator MILLER. Have you undertaken to examine the books of the railroad companies to see what it cost to do the local traffic as compared with the through traffic?

Mr. WHITE. No, sir; I make my calculation from the time it takes to make up their trains and to bring their trains through and take them back and gather up the cars along the way. They have to be distributed as they go this way, and as they return they have to be got back.

#### THE LONG AND SHORT HAUL.

Senator MILLER. Then you think it would be a great injustice to pass a law preventing a railroad from charging more for hauling a train a short distance than it charges for hauling it a long distance?

Mr. WHITE. That depends on how much they carry.

Senator MILLER. Ton for ton.

Mr. WHITE. I think that would be a very great injustice. It depends on the quantity. They cannot carry ten tons of coal in a car from the mines to Philadelphia at the same rate they would carry a thousand tons. It all depends on the quantity.

Senator MILLER. No one, so far as I have heard, has made any suggestion that that can be done.

Mr. WHITE. Then, in sending coal to competitive points it is not a question with the railroad company what they will charge; it is a question what they can get. If one railroad company offers to sell coal at a certain price at a certain point, the other must sell it at the same price at that point.

#### DISCRIMINATIONS IN COAL RATES.

The CHAIRMAN. It has been stated here that coal has been shipped from the mines in this State to Boston and sold there at the same price that it has been shipped to Philadelphia and sold here.

Mr. WHITE. That is not true. The shipping price in Philadelphia is \$2.25, and it is \$3.50 in Boston.

The CHAIRMAN. The shipping price?

Mr. WHITE. The selling price.

The CHAIRMAN. What is the rate of freight from your mines, for instance, to Philadelphia, and from your mines to Boston?

Mr. WHITE. The rate of freight depends on the scarcity of vessels. Sometimes we have shipped coal to Boston for 70 cents a ton, and at other times we have paid \$1.75 a ton.

The CHAIRMAN. Where do you ship from? Philadelphia?

Mr. WHITE. Yes, sir.

The CHAIRMAN. When you bring a load of coal here to be sold in Philadelphia and another load to be shipped to Boston and sold there, is there any difference in the rate of freight in bringing here the two different loads?

Mr. WHITE. One to sell here in Philadelphia and the other in Boston?

The CHAIRMAN. What I ask you is whether you pay the same freight for a car-load of coal to be sent to Philadelphia for consumption here that you do for a car-load of coal that has to be sent to Philadelphia and then forwarded to Boston?

Mr. WHITE. We pay less for the one that goes to Boston.

The CHAIRMAN. Why is that?

Mr. WHITE. I just told you. The price charged by the railroad on coal delivered in Boston is compulsory. The railroad must give that rate which will enable the producer to furnish his coal at competitive points at the same rate as the competing roads.

The CHAIRMAN. So that they charge more at non-competitive points than at competitive points?

Mr. WHITE. Yes, sir.

The CHAIRMAN. What is the difference, as a matter of fact, in the rate of freight on a car-load of coal from your mines to be used in Philadelphia and the car-load of coal that is to be sent forward to Boston?

Mr. WHITE. I think for the car-load of coal that goes to Boston, or to any competitive point, the rate is about \$1.40, while it is \$2, I think, from the mine to Philadelphia.

The CHAIRMAN. Sixty cents difference.

Mr. WHITE. But there are charges for loading and other things that do not come into the coal here that have to be paid extra of the shipping charges.

Senator MILLER. There is no coal mined near Boston; your coal does not come there in competition with any other coal?

Mr. WHITE. Our coal comes in competition with that furnished by the Norfolk and Western road, the Chesapeake and Ohio road, and the Baltimore and Ohio road, and it comes in competition with that supplied by the railroads running north.

Senator MILLER. You are speaking of soft coal?

Mr. WHITE. Yes, sir; and of all coal coming in by Vanderbilt's roads. They are underselling us now. At the rates we are shipping we cannot sell it in competition with the Vanderbilt roads. We are selling at \$3.25 in New York and they are offering coal for \$2.60.

Senator MILLER. Is not Philadelphia nearer the soft-coal mines of Virginia and Maryland than Boston?

Mr. WHITE. Yes, nearer than Boston.

Senator MILLER. Then why should not the people of Philadelphia get their coal here for less than the people of Boston get it in Boston?

Mr. WHITE. Because the competition is so great it brings them down; they are compelled to sell it at that price because the railroads compete with each other. There is no competition here, and it is not an unfair price; it is only about 7 mills per mile on the local rate.

Senator MILLER. How do you get at what a fair price is for the carriage of freight?

Mr. WHITE. I think it is not an unreasonable thing to say that the railroad ought to have 7 mills per mile per ton.

Senator MILLER. If it is 7 mills from the mine to Philadelphia, how much ought it to be from the mine to Boston?

Mr. WHITE. They do not ship it by rail to Boston. That transportation depends entirely on the vessel rates.

Senator MILLER. You come back to your original proposition, that railroads can carry freight cheaper a longer distance than they can a short distance.

Mr. WHITE. No; I mean they can carry coal from the mines to a terminal point cheaper than they can stop at every place along the road and deliver cars. I mean that when one locomotive and one set of men can make four trips a month, the company can afford to do the work a great deal cheaper than when, on account of the stoppages, the same locomotive and set of men can make but two trips per month, employing the same hands and the same power.

Senator GORMAN. It has been stated that one of the great troubles is that from the same localities and the same mines almost, in the same region at any rate, special rates have been given to particular individuals below those which any other shipper can have, and it has been stated that two or three firms have been receiving special rates, against the interest of the public. What have you to say on that subject?

Mr. WHITE. Only this: that we never make a rate; we never ask a railroad to make a rate unless it is made by some other company. If we have been supplying to somebody a lot of coal this year, and a man from the Baltimore and Ohio, or from the Norfolk and Western, or from any other road comes and offers it to him below our price, and he comes and tells us, "Here is an offer for the same quality of coal that you have been supplying heretofore at such a price," probably 10 or 15 cents below what we have been delivering for, we should probably go to the railroad company and say, "We have got the mining of our coal down to

its very lowest price; we cannot afford to go any lower; we should like to have this contract continued if we can, but if you cannot give us a rate that will enable us to take it at what it is offered by other roads, you will lose the freight over your road, and we shall lose the sale of the coal." That is all there is of it. They sometimes do that on a single very large contract. We have had contracts offered in Cuba, for instance, where they want a large quantity of coal. They will get offers from all the different roads or different operators and producers for the delivery of that coal. Then it becomes a question between the railroads as to what the transportation shall be.

Senator GORMAN. Is not that very demoralizing to the trade and unfair to the community?

Mr. WHITE. I do not know that it is, because they are all in the same boat; they have to take the coal for just what they can get.

Senator GORMAN. I understand that rule obtains with all the transportation companies.

Mr. WHITE. If the transportation companies were all solvent, were doing business in a solvent way, it would not make any difference; but now the insolvent company can do the work at any price and the stockholders are not losing anything, because they are bankrupt anyhow.

Senator GORMAN. But is not that practically demoralizing to the community?

Mr. WHITE. It does not affect the laborer at the mines, because we do not change the price at the mines; we do not make any more upon it.

Senator GORMAN. Is not the practice a bad one?

Mr. WHITE. I think it is a bad practice, and if it were discontinued by everybody that would be a very good thing; but one company cannot discontinue it unless they all do.

#### ANTI-DISCRIMINATION LAW.

Senator GORMAN. Would you advocate the passage of a law by Congress prohibiting discriminations of that sort?

Mr. WHITE. I would advocate a law of that kind provided it could be carried out; but there is this difficulty, as you will find, in carrying out a law of that kind: such things are positively forbidden by the constitution of this State, and yet the railroads here are getting to be the shippers of coal; the same directors that are in the railroads you will find are directors in the coal companies, and it does not matter to them whether there is a price fixed for transportation or not; they can take the money out of one pocket and put it in another; they keep up the account, but it does not matter to them whether the price is on the coal or the transportation. That thing is growing in this country. They are discovering that the only way in which they can get along is to form coal companies within the directorship of the railroads.

Senator GORMAN. That you would prohibit by law?

Mr. WHITE. I would prohibit it. It is prohibited by our constitution here, but it is not regarded.

Senator GORMAN. The question I ask is, would you advocate a general provision by Congress requiring all rates to be published and open and uniform?

Mr. WHITE. No, I would not be in favor of it at all, because I think the railroads can manage that business a great deal better than any members of Congress or any committee they can appoint. They understand it, they are educated up to the business. It takes as much talent and as much study to be a good railroad man as it does to be a lawyer

or a doctor or a preacher, and it takes as much time. When you appoint men who have no experience in railroad business and give them the management of the railroads, they will ruin them; they will not only ruin the particular road they undertake, but every other road they meddle with.

Senator GORMAN. Take the Clearfield region in Pennsylvania or the Cumberland region in Maryland, the Baltimore and Ohio and the Pennsylvania Railroad Companies furnishing the transportation from both. Would you permit the practice to continue of favoring one miner as against all the rest by giving special rates?

Mr. WHITE. No, sir.

Senator GORMAN. Would you prohibit that by law?

Mr. WHITE. No, I would not prohibit it, nor would I advocate such a law. Let another man compete for the freight with the other road. I would let that thing be open to competition. We did not complain when you had charge of the Chesapeake and Ohio Canal. We had rates on the Baltimore and Ohio, and they fixed rates which we supposed were fair and honorable. When you cut under and sold coal at lower rates in Alexandria, we did not complain of your doing it. You had a perfect right to do that if you wished, but we had to compete with you. We would not allow you to take our freight, because you owned the canal.

Senator GORMAN. That was demoralizing to the trade.

Mr. WHITE. Then you should not have done it.

#### UNIFORMITY OF RATES.

Senator GORMAN. Would you not prohibit by an act of Congress any transportation company from giving a lower rate to A than to B or C?

Mr. WHITE. If all the circumstances were the same, I would not prevent it; but I say where a man finds his own cars and ships over a road a million or a million and a half tons of coal, he ought to have a cheaper rate than a man who ships only forty or fifty thousand tons.

Senator GORMAN. Why?

Mr. WHITE. Because he has the cost of his cars to account for, and when you come to count up the cost of the cars, the probabilities are that he pays as much as anybody else.

Senator GORMAN. But the conditions being the same, the common carrier is bound to furnish both you and me cars, supposing we are both shippers of coal within 100 rods of each other. I ship 20 car-loads a day and you ship 100 from your mines in Clearfield to Philadelphia. Why should you have a less rate than I do per car?

Mr. WHITE. Because the road can deliver for me cheaper in that way than you could half the quantity.

Senator GORMAN. What do you mean by that?

Mr. WHITE. I mean that they deliver it in train-loads. You can deliver a train of cars, probably a hundred cars in one train, by one locomotive. Where you deliver it about in quantities of ten or twenty, the cost is greater.

Senator GORMAN. In that case would not the difference in the cost of moving 300 miles be imperceptible?

Mr. WHITE. No; I was just telling you it makes a very great difference whether the train stops at every town or not.

Senator GORMAN. I am not talking about stopping now. I take your mines in Clearfield; and within a hundred rods or half a mile there is another shipper who ships 20 car-loads per day, while you ship 100 to

the same place, Philadelphia, the conditions being the same. Why should you have a less rate per car than he?

MR. WHITE. I do not have a less rate per car. If I make a special contract for a particular quantity and you undertake to offer the same kind of coal in Alexandria at a lower rate, I go to the railroad company and say, "Now, so far as this contract is concerned, I want a lower rate."

Senator GORMAN. Outside of your own private business (which we are not inquiring into), I ask you whether, as a merchant and a shipper, you do not believe that it is the interest of the coal-miner and the transporter and the consumer that Congress should regulate this subject and prevent the very abuses which you say have existed?

MR. WHITE. There are times in this country when if the miners were tied down to a particular law they would lose a great deal of business they otherwise might get. During the time of the recent excitement between the English and the Russians it was supposed there was going to be a very great scarcity of coal, and the French steamers stopping at Martinique and Saint John's, instead of getting their coal in Europe, as they were accustomed to do, came to this country and made their contracts for a year. They could not have done that if the law-makers had fixed us down to a particular rate.

Senator GORMAN. I do not mean that Congress should fix the rate; let the railroads do that; but whatever rate is fixed on any road, the Baltimore and Ohio, the Pennsylvania, or the New York Central, it should be open to the public and uniform, and no discrimination between shippers.

MR. WHITE. I will tell you how that would work. In the bill they had up in this State they had it that the railroad companies should put up their rates, and they should not be altered without giving two days' notice. Now, suppose a man should offer our firm a contract for 100,000 tons of coal, saying, "I have been offered it at Baltimore at such a price; can you furnish it at that price?" I would go to the railroad man. He says, "I cannot do it, because under the law we have our price put up and it cannot be changed for two days." Then I ask him, "Will you change it in two days?" He says, "Yes," and I make the contract. The railroad man would be violating the law. How could you get over that? He did not change the rate for two days, but he told me that at the end of two days he would change it, and upon the strength of that I make the contract. Under the law as proposed here the man giving that rate would be liable to prosecution, and yet I suppose he could not be convicted.

Senator GORMAN. You mean that a law could not be made which could be enforced?

MR. WHITE. That is just what I mean to say. There are ways that can always be suggested which will make the law inoperative.

Senator GORMAN. But the principle you think is a good one that every shipper should be treated alike.

MR. WHITE. I think it is if it can be carried out. That would operate very severely upon those who have heavy contracts if they should continue in them. Under that kind of law a new operator could never get into the business.

Senator GORMAN. It is almost impossible for a new operator to get in now.

MR. WHITE. I do not know how it is in Maryland, but it is not so in Pennsylvania. In our region we have some seventy-five different col-



lieries, and they are opening new collieries every day. In Maryland perhaps the ground is covered by three or four companies; it is not so in our State.

Senator GORMAN. Oh, no; there are quite a number of companies in Maryland.

#### WORKING OF COAL MINES BY TRANSPORTERS.

The CHAIRMAN. Have you any idea of the proportion of the mining that is done in this State which is done by the railroad companies or persons engaged in railroads? What proportion of the taking out of the coal is done by gentlemen running the Pennsylvania and other railroads in this State?

Mr. WHITE. As a corporation do you mean?

The CHAIRMAN. And including individuals who are connected with the roads. I understand that a very considerable share of the coal mines of the State is owned either by the railroad companies themselves or by men running the roads.

Mr. WHITE. I think the Erie Railroad Company owns its own coal lands, and so does the Reading, and so does the Lehigh Valley.

The CHAIRMAN. Those coal lands are owned by the railroad corporations?

Mr. WHITE. Yes, sir; the railroad companies themselves own the lands.

The CHAIRMAN. And carry on mining?

Mr. WHITE. Yes, sir. They have separate coal companies organized within themselves. They are operating in that way. Vanderbilt's road in this State is operated in that way.

The CHAIRMAN. About what proportion of the mining done in the State do you think is done in that way or by that kind of organization?

Mr. WHITE. I cannot speak of the hard coal, but the Reading has opposition that runs to other markets. They go to New York and probably to Boston with their hard coal, and that is one reason why they have charged less for delivering it here for shipment to Boston, because there they come in competition.

The CHAIRMAN. You are entirely outside of that sort of organization?

Mr. WHITE. Yes, sir; we are individual operators.

The CHAIRMAN. Is half the coal taken out in the State taken out by such operators as yourselves?

Mr. WHITE. Yes; of the soft coal more than half. The only soft coal I know of that is taken out by corporations is on what is called the Beach Creek road, that runs in connection with the Vanderbilt road.

The CHAIRMAN. How about the hard coal?

Mr. WHITE. I do not know anything about how the roads running into the hard-coal region do; but there are several lines running into that region. I am only familiar with those I have spoken of.

Senator GORMAN. Is not nine-tenths of the hard-coal taken out by these companies?

Mr. WHITE. I think it likely.

The CHAIRMAN. The mining and sale of nine-tenths of the hard coal is controlled by the railroad companies themselves?

Mr. WHITE. I think so.

The committee adjourned to meet in Chicago on the 12th of June at 10 o'clock a. m.

CHICAGO, ILL., *June 12, 1885.*

The committee met at 10 o'clock a. m.

The CHAIRMAN. The committee appointed by the Senate of the United States to investigate the subject of commerce among the several States is here by a quorum only. Two members of the committee are not able to be present at this session, but they will join us hereafter. The purpose of the committee, as most people, perhaps, know, from what has been going on in reference to it, is to ascertain, if possible, whether anything should be done by Congress looking to the regulation of commerce among the States, and, if so, what ought to be done.

For the information of the Senate and of the country we have been going from place to place getting the views of business men, representing the different business interests of the country, as to the management of railroads, ascertaining as nearly as we can what grounds of complaint exist among the people as to the management of railroads, and also hearing representatives of railroad companies as to what they think in relation to the same subject. In New York and in Massachusetts also we commenced our investigation by hearing the chairman of the railroad commission of each of those States. The committee would be glad to have General Rinaker, who is chairman of the railroad commission of this State, open the investigation here by giving us his views on the subject.

#### JOHN I. RINAKER'S STATEMENT.

JOHN I. RINAKER, chairman of the Illinois railroad and warehouse commission, appeared and said:

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE: I myself hardly expected to be called in the beginning of this investigation, for the reason that, while I am chairman of the railroad and warehouse commission of this State, I have only been in that position a very short time. The subject is one, however, of general interest. While I am not prepared to go into any great detail with reference to specifying the difficulties that are in the way and the plans proposed for removing them, it is apparent that some legislation on the part of Congress seems to be necessary. There are questions arising that are held by the courts to be such as involve the subject of interstate commerce; I say arising under the laws of the States on this subject. Here in Illinois we have come in contact with questions of that kind.

#### DISCRIMINATION.

For instance, The People against the Wabash Railway Company is one of them. Under our law, with which the committee is familiar, discriminations have arisen upon lines of railroad leading from points in Illinois to certain other points, under shipments outside the State and beyond the limits of the State, where charges have been made of a less amount for a greater distance than for a shorter distance on the same line. The railroad companies defend the discrimination upon the ground that the board has no jurisdiction of that matter; the State has no jurisdiction of it. While the discrimination exists, and a species of extortion is the result, the railroads still defend it upon the ground that it is a matter of interstate commerce.

## THE PEOPLE V. THE WABASH RAILROAD.

The case of The People against the Wabash Railway Company, I say, has been defended upon that ground. That was a case where a charge was made for Peoria less than for another point in the State to which the freight was shipped, going in the same direction on the same road. The Peoria charge was less than that of Gilman, which, I believe, was the point. I understand that case has been taken up to the Supreme Court of the United States. The supreme court of Illinois held that it was a proper subject of State regulation, as the points specified were within the State of Illinois, and therefore within its control. A great many cases have arisen in other States where the same question arises—whether the State can regulate this discrimination or not. That it is a discrimination is admitted; that it is apparently unjust can hardly be questioned.

## CAN DISCRIMINATIONS BE REGULATED BY THE STATE?

If the State is not competent to regulate it, it is an evil that ought to be regulated by some authority. It is said, however, that it is a matter of commerce and will regulate itself; that we have no right to regulate what a man shall have for his services, whether he is a common carrier or not, if he, by his contract, can get one price or another. There is a difference, as is thought by the public, as is thought by the legislature of Illinois and the legislatures of a number of the other States, between such contracts and contracts between anybody else.

## THE SHIPPER AT THE MERCY OF THE CARRIER.

The shipper is not on equal terms absolutely with the carrier. And if he is charged an extortionate rate, as he thinks, he is not, as an individual doing a limited amount of business, prepared to enter the contest with a corporation. And while the principle of governmental protection to individuals in such matters is the subject of debate sometimes, still in this case we think that the National Government ought to aid the individual since the State cannot aid him, because this matter lies outside of the province of its legislation.

The CHAIRMAN. What is your view of the manner in which the Government should aid him?

Mr. RINAKER. The Government should furnish him some means of ascertaining the facts upon which his case is to be presented. It should furnish him some means of investigating and gathering these facts. It should furnish some instrumentality or agency by which the facts can be gathered and by which the corporations, through their officers, can be made to disclose the methods upon which they do their business.

## A COMMISSION ADVOCATED.

It would seem that a commission would be the better agency for that purpose. If the law undertakes to fix the rates in all cases, there are various difficulties which will arise. If it undertakes to fix the maximum rates, the difficulties of the problem then begin. It would be fixing rates in advance of the reasons upon which the rates ought to be determined.

Senator HARRIS. Do you think it would be wise to say that no greater charge should be made for a short than for a long haul over the same line of road?

## THE LONG AND SHORT HAUL.

Mr. RINAHER. As a general proposition that would seem to be right, and yet it would be subject to some exceptions; exceptions might arise from the fact that there would be competing points on that line.

Senator HARRIS. Assume that we have a tribunal created by law to investigate the matters that you suggest, how far would you recommend that legislation should go in regulating the transactions of the common carrier?

## VIEWS AS TO POWERS OF COMMISSION.

Mr. RINAHER. I suppose it should go, first, to the extent of investigation—to gather that class of facts that would enable a plain man, an impartial man, to determine the reasonableness of any conclusion upon that subject, to begin with. First they should investigate, and that investigation, of course, would call out from the carriers engaged in a like line of business, and the particular carrier in question, the reasons concerning their action, so as to determine whether, under all the circumstances, the given grievance complained of was a reasonable one or not.

I should think the commission should be clothed with power to operate as a board of arbitrators, to a certain extent. I do not think they should be clothed with power to give final judgment at all in the premises—to determine absolutely the rights of parties. They should first investigate and then recommend. Perhaps that is as far as they could go.

Senator HARRIS. Recommend to Congress?

Mr. RINAHER. Report to Congress, yes, sir. That, perhaps, would be short of furnishing any efficient remedy. They should be clothed with some discretionary power, however, to settle these controversies.

The CHAIRMAN. In Massachusetts, or New York, and I do not know but in both States, while the commissions have no absolute power, they determine for themselves and announce to the railroad corporation, for instance, that such a wrong has been committed, or so much damage has been done, to such an individual or shipper. That ends their absolute power, and the matter is there left for the courts to determine. Would you or not think that a national railroad commission ought to go that far, and that their determination should be evidence in a court of what the facts were in the case?

Mr. RINAHER. *Prima facie*, I should think, only. That is as far as it ought to go in that direction, I think. And I think that its usefulness would be soon demonstrated. To decide such questions would settle very frequently the controversies.

The CHAIRMAN. It was stated by the railroad commission in Boston, I believe, that they seldom have had lawsuits in that State between parties claiming to be aggrieved and the transportation companies, and yet the railroads have always abided by the determination of the railroad commission. What would be the fact, in your judgment, in this State? What is the fact, as you have ascertained from the experience you have had on the board? If a railroad does a shipper an injury by charging him too much, or by discriminating against him, and you ascertain the fact to be so and notify the railroad, does the railroad or transportation company rectify the wrong claimed without your proceeding in court?

## EFFECT OF THE COMMISSION IN ILLINOIS.

Mr. RINAKER. The result is just what I was about to state. In nine cases out of ten that is the end of the controversy. The railroad companies rectify the wrong complained of. Since I have been connected with the board in every instance that has been the case. There are some questions in this State that have not yet been determined. But I think that is the rule. That line of investigation will be found exceedingly useful.

The CHAIRMAN. You are familiar with the Illinois law. State generally what the law is on the subject of the regulation of the railroads in this State.

## THE RAILROAD LAW OF ILLINOIS DESCRIBED.

Mr. RINAKER. The statute of course prescribes certain things that fall within the definition of unjust discrimination and extortion. It is unnecessary to refer to them further than to say that it prohibits discrimination against persons and places in respect to quantities, rates, and distances.

The CHAIRMAN. The law also gives the commission power to make schedules?

Mr. RINAKER. The commission is given power to make schedules of rates, to classify freights, and to fix local and through rates. It has done that.

Senator PLATT. Is it given the power in the first instance, or only by supervision of the railroad charges?

## POWER TO FIX RATES.

Mr. RINAKER. The language of the statute practically gives it to them in the first instance. They have co-operated with the railroads in arriving at what is a reasonable rate both in respect to quantities and distance. The unit in this State for freight is the car-load.

Senator HARRIS. The commission has absolute power to fix rates?

Mr. RINAKER. They are clothed with the power to fix rates.

Senator HARRIS. They may derive light on the subject from every source they choose?

Mr. RINAKER. Yes, sir.

The CHAIRMAN. Those rates are made *prima facie* evidence of reasonableness in court?

Mr. RINAKER. They are published and made *prima facie* evidence of reasonableness and the opposite, *prima facie* of extortion or discrimination where they are disregarded. There has been very little friction on that subject.

## SOME DISCRETIONARY POWER ESSENTIAL.

There are some questions that no rule will quite settle. There are difficulties arising that show that a statute to regulate this matter would be utterly incompetent in a thousand instances, unless the commission is clothed with some discretionary power. There ought to be some flexibility, more than there is in our own statute; and that will be found to be so when Congress undertakes to legislate on the same subject. That is the way it appears to me, at least.

Senator HARRIS. Do you think it would be wise to prohibit, by act of

Congress, discriminations as between individual shippers from the same points to the same points?

Mr. RINAKER. Yes, sir; as to the same quantity. I think so.

#### THE CAR-LOAD THE UNIT OF TRANSPORTATION.

Senator HARRIS. Did you say you regard as the proper unit of transportation one car-load or a larger number of car-loads?

Mr. RINAKER. I am inclined to think one car-load. I do not see why a man with a little mill should not get his car-load of flour to a given market as cheaply as the man with a larger mill.

Senator HARRIS. Do you think the man who ships one car-load from Chicago to New York should be charged more per car than the man who ships one hundred car-loads?

Mr. RINAKER. I do not think he should, unless the policy of the law is to freeze out the small manufacturer.

Senator HARRIS. Do you think such would be a wise policy?

Mr. RINAKER. The policy of protecting the small manufacturer is the correct policy. There are difficulties about the question, practically, I know; but the policy should be to give each manufacturer an even start.

The CHAIRMAN. Is it not your opinion that in the end, if the smaller manufacturers are encouraged, the transportation company will get as much out of the business as if the other policy were pursued?

Mr. RINAKER. I think so. I think the more men there are in active business the more business will be done, both in that line and by the carriers. There is no necessary conflict, it seems to me, between the carrier and his customers. The only difficulty is to bring them to a fair understanding with each other, and to back the weaker man, by the power of the law, until he is able to take care of himself; and that does not come from the increase of his wealth, but from the mutual understanding that will be arrived at between all parties concerned.

Senator PLATT. Why do you think that a car-load should be a unit of shipment rather than any lesser quantity?

Mr. RINAKER. Because it is no more trouble to unload one car than another of the same class of freight.

Senator PLATT. As far as grain and many other things are concerned it is common to ship by the car-load. But take the mercantile community generally; do merchants who buy goods in Chicago often buy car-loads at a time of ordinary merchandise?

Mr. RINAKER. Not in all cases; and that raises a question that is before us in Illinois now.

Senator PLATT. Suppose, of two merchants in the interior of the State, one buys largely enough to be able to ship a car-load of goods from Chicago, and the other, not doing so large a business, buys a much less quantity. Is it a good thing to allow the larger merchant to get a special rate because of the fact that he can buy a car-load at one time?

#### SPECIAL RATES TO LARGE SHIPPERS A DISCRIMINATION.

Mr. RINAKER. No, sir. That would be furnishing him the benefit of the same class of discrimination that would result from allowing a man that made flour enough to load ten cars a better rate than a man who made flour enough to load but one car. That question of what should constitute the unit is reached somewhat by the way the business is done. Much of the merchandise of the country is freighted by the

package and not by the car-load. There is more trouble to unload where there are ten small merchants at different points along a road than where there is one at the end of the journey who would ship as much as all ten of them, because they have to open the cars and distribute the freight.

Senator HARRIS. Is not the only difference in that case the terminal charges; the necessity of stopping at ten different depots and discharging a part of the freight at each instead of at one point?

Mr. RINAKER. Yes, sir.

Senator HARRIS. The terminal charges then would be the only difference to the railroad company?

Mr. RINAKER. Yes, sir; I take it so.

Senator HARRIS. The same is true of the manufacturers as of merchants, is it not? That is, a large manufacturer can ship his goods away from the factory in a car-load, while a small manufacturer might not be able to load a car?

Mr. RINAKER. He might not. But there should be some flexibility in the scheme, which it would take a commission to meet, it strikes me.

Senator HARRIS. I ask this question because in talking with a railroad man the other day he said that he did not see the reason for saying that the unit of shipment should be a car-load; he thought there should be no difference; that quantity should govern, and not the car-load; that there should be no unit of shipment. I was a little surprised, because he was a practical railroad man.

Mr. RINAKER. Upon inquiry, I find that they do not make the distinction that the question involves in respect to a large number of things that are shipped in that way. But in undertaking to determine what is just, of course this extra labor and extra expense of frequent stoppages enter into the problem.

#### MANY SMALL, VERSUS A FEW LARGE, SHIPPERS.

Senator HARRIS. The argument of this gentleman was, that while it might cost the railroad company a little more to handle freight in small packages, yet, in the long run, business would in fact be better, and it would be better distributed, so that it would be for their interest not to give a large shipper or a shipper of a car-load any advantage over a small shipper.

Mr. RINAKER. It may turn out to be true. There is a good deal of discussion on that subject at this time, I find. It is like the other question, however. Of course the general volume of business will tend to rectify itself as to its advantages between the carrier and the men who are doing the small business in a great number of places.

The CHAIRMAN. Would you, in your experience as a lawyer, a citizen, and a railroad commissioner, believe that it would be wise and safe to embody a provision in any law that Congress might pass on the subject of regulating commerce among the States providing that there should be no unit of quantity, such as a car-load, but that every man should be charged so much per pound or per hundred-weight, or on any other basis?

#### SOME UNIT OF TRANSPORTATION ESSENTIAL.

Mr. RINAKER. I think they had better start with some unit. What experience would demonstrate ultimately to be the proper thing, I could not say; but I think some unit should be had to begin with.

The CHAIRMAN. One man has a car-load to ship and another man has fifty or a hundred car-loads of the same kind of product to ship. Now, ought the man that has the fifty cars to have the preference in a reduced charge per car over the man who has but one car?

Mr. RINAKER. I think not, from the same points to the same points, and of the same character of freight.

The CHAIRMAN. Would it, in your judgment, be best to provide that character of law?

Mr. RINAKER. I think not.

The CHAIRMAN. You think it would not be safe?

Mr. RINAKER. I think not.

Senator HARRIS. Recurring to the unit of transportation, as a matter of fact it costs the transportation company more to deliver packages making up a car-load to different consignees than to deliver the whole car-load to one consignee, does it not?

Mr. RINAKER. Yes, sir; I think that is a fact. It must necessarily be so.

Senator HARRIS. Is that or not the only reason that could justify the higher charge upon the package or per pound than by the car-load?

Mr. RINAKER. Yes, sir.

Senator PLATT. Then, if we could get at it, we ought to limit the increased charge upon the package or by the pound over the rate per car-load to something like the additional cost to the railroad company.

Senator HARRIS. Limit it to the difference, or about the difference?

Mr. RINAKER. I should think so. It may be, as suggested by this railroad man who was quoted a little while ago, that there is no very great substance in that distinction when it is carried out practically.

The CHAIRMAN. Still you do not think that that sort of provision in an act of Congress should be inserted?

Mr. RINAKER. I think not.

The CHAIRMAN. You think that should be left to the judgment of a commission to investigate and see whether there is wrong done?

Mr. RINAKER. Yes.

The CHAIRMAN. With power to correct it, if, in their judgment, it ought to be corrected?

Mr. RINAKER. Yes; they may report and make suggestions growing out of their investigations, observations, and experience in that line.

#### RAILROADS WILLING TO AID COMMISSIONS.

Senator PLATT. What has been your experience in regard to the disposition of the railroad companies to furnish you information as a board of railroad commissioners?

Mr. RINAKER. As far as my own experience goes, which is limited, they have been very free, and have complied in the most ample manner, with great promptness, and from what I know of the experience of the board, while other gentlemen were occupying the position of commissioners, I think that that may be said of the railroads in this State, from the beginning. They have been disposed to furnish whatever information was called for. When charges have been made, and the matter has been submitted to the railroad company, and they have been called upon to respond and furnish the facts in the case, they have promptly done so.



## OVERCHARGING THE GENERAL COMPLAINT IN ILLINOIS.

The CHAIRMAN. So far as you have been able to gather, what are the specific complaints made against the transportation companies in the State and country by the business men of the country?

Mr. RINAKER. Overcharges beyond the schedule prices.

The CHAIRMAN. That obtains entirely in your own State?

Mr. RINAKER. Yes. I am speaking of that. Small discriminations. The truth about it is, since I have come into the board I find that many of the questions that were once agitated have been settled and have ceased to be subjects of controversy. Railroad companies have really, in many instances, gone beyond the board in reducing rates.

The CHAIRMAN. You make the schedules of rates for all classes of freight?

Mr. RINAKER. Yes, sir.

The CHAIRMAN. How many classes of freight have you?

Mr. RINAKER. I would not undertake to repeat them. It is pretty extensive, and can be furnished from the report of the board better than I can undertake to name them.

## THE RAILROADS ADOPT THE COMMISSION SCHEDULE.

The CHAIRMAN. What is the fact in relation to the professions of the transportation or railroad companies as to their adopting the schedules of rates furnished by the railroad commissioners? Do they, or not, assert that they adopt them as they are?

Mr. RINAKER. As a general rule.

The CHAIRMAN. And comply with them?

Mr. RINAKER. They seek to conform. Of course they make their suggestions and arguments about them; but, for the most part, they do conform, and claim that they desire to do so. The only trouble that I know of is this, growing out of what is claimed to be interstate commerce.

The CHAIRMAN. Where freight passes out of the State or comes into the State from another State?

Mr. RINAKER. Yes, sir.

Senator HARRIS. Do you think it would be wise to give a Federal commission power to fix rates for interstate commerce, or would it be better to allow the transportation companies to fix rates themselves.

## FEDERAL COMMISSION AND RAILROADS SHOULD JOINTLY FIX RATES.

Mr. RINAKER. I think the commission should fix them upon consultation with railroad companies. It is, of course, tentative. It is experimental, and some point should be selected as that from which regulative arrangements shall proceed.

Senator HARRIS. You think the commission and the transportation companies, then, should confer and agree upon a tariff of rates?

Mr. RINAKER. Yes; and that the commission should finally determine what is a reasonable rate; and that should be *prima facie* evidence of what is reasonable.

Senator HARRIS. Should those rates be published to the world?

Mr. RINAKER. I think so; in most cases.

## RATES PUBLISHED, AND CHANGES ONLY UPON NOTICE.

Senator HARRIS. Should they be changed without notice, and if with notice, how much notice?

Mr. RINAKER. I think they should not be changed without notice. Indeed our law requires notice. I think the period is twenty days. Some reasonable rate, according to a reasonable period, should be allowed. Of course there are some difficulties about that. The change in rate would not probably remove the evil. The change of rate, and twenty, or ten, or five days' notice in some cases would not remove the difficulty.

Senator HARRIS. If the transportation company should violate and disregard the rates so fixed what remedy would you suggest?

#### A PENALTY FOR BREAKING RATES.

Mr. RINAKER. I suppose, in the first instance, it would be a penalty, and that it would be sufficient to call it to the attention of the corporation, to make it to its interest to observe them. The repetition of those offenses should be followed by increased penalties until submission to the law would be the result. Of course I want to be understood that that penalty should not attach upon the judgment of the commission. The commission's judgment should be regarded as *prima facie* evidence of its correctness until the courts pass upon it, and they impose the penalty.

The CHAIRMAN. You think if Congress passes a law to regulate commerce among the States and provides for a commission, the commission ought to fix rates. Can that practically be carried out with any degree of success over so vast a country as this, with some railroads very strong and others very weak, with some portions of the country very populous and other portions with very few people and very little business?

Mr. RINAKER. It could be done, in the first instance, by the act of Congress fixing the rates. It would require the intervention of a commission, and it would be a matter full of difficulties, surrounded with perplexing questions that it would take time to settle; but that it will be ultimately attainable by the co-operation of a board and of the carriers, I think, is beyond question. I think it could be reached ultimately, but not at once.

The CHAIRMAN. Suppose Congress passes a law, and creates a commission, and provides that that commission shall fix the rates. That law takes effect at once and the commission is appointed?

Mr. RINAKER. Yes, sir; and they go to work fixing the rates.

The CHAIRMAN. Before they could get all through this country a great many men would be gray-haired, would they not?

Mr. RINAKER. The act of Congress should provide districts, and should have the work assigned to different geographical districts where these diverse conditions exist. Take the populous States, States supplied with abundant railroads like the older States east, and the States of Illinois and Indiana and Ohio and Michigan and Wisconsin; if they could be classified there would be very little difficulty in the Southern States and the Western States and Territories. Different conditions exist by groups territorially; the rates would not be uniform throughout the States, but uniform in respect to the cost of the railroads and the amount of business done, and all those things.

The CHAIRMAN. As I recollect it some of the roads in this State are entitled to charge for passengers, for instance, more than others. Is that so now or not?

Mr. RINAKER. It is not so now. I notice that it is all within 3 cents, all over the State. I think I am correct in that.

The CHAIRMAN. How is it about freight?

Mr. RINAKER. There are local rates.

The CHAIRMAN. According to the condition of the road and the condition of the country through which it passes?

Mr. RINAKER. Yes, sir; somewhat.

Senator HARRIS. How many members should compose the Federal commission, do you think?

#### SIZE OF FEDERAL COMMISSION.

Mr. RINAKER. That is a question about which I have thought some, but not a great deal. The commission should not be so large as to be cumbersome, and yet it ought to be large enough to meet the exigencies that have been suggested by Senator Cullom.

The CHAIRMAN. Would a commission of nine, for instance, on the theory that we have nine circuit judges of the United States court, representing the different divisions of the country, be large enough, or would it be too large?

Mr. RINAKER. It would not be too large. I think the diversified conditions of the country are such that a number not less than that should be appointed.

The CHAIRMAN. There has been a great deal of talk about drawbacks and rebates being given by railroad companies to one shipper and not to another, and in that way unjust discriminations made between people. Ought that to be prohibited by law or not?

#### DRAWBACKS AND REBATES.

Mr. RINAKER. I have stated it ought; but it is not always unjust to have rebates, I take it. I am not prepared to go into that as an expert on the railroad side of the question.

The CHAIRMAN. The point I want to get at is whether Congress ought to pass an act expressly prohibiting drawbacks and rebates being paid?

Senator HARRIS. Let me suggest an exception: Except where drawbacks and rebates are allowed to correct mistakes.

Mr. RINAKER. As a general rule, I suppose it ought; but still there ought to be some means of allowing competing roads to do justice to their customers in respect to terminal charges.

The CHAIRMAN. Then, according to that idea, it ought not to go into the statute, but it should simply be left in the hands of the commission?

Mr. RINAKER. I am not prepared to say with absolute definiteness just what ought to be done on that subject, because it is a question as to which people very well skilled in these subjects come to different conclusions, each having a desire to do justice.

The CHAIRMAN. It is stated, for instance, in the debates in Congress, that the Pennsylvania Central Railroad paid to the Standard Oil Company some \$10,000,000 of drawbacks on their shipments; and the result of that was, as charged, that everybody else engaged in the business of shipping oil had to quit or sell out to the Standard Oil Company. Ought such a thing to be tolerated?

#### WHERE DRAWBACKS MIGHT BE PERMITTED.

Mr. RINAKER. I do not think the policy of the law should be to build up monopolies that are not railroads any more than to build up railroad monopolies. As I said before, I think the general rule should be in the

statute; but it should be placed so that where it is just and proper and does not tend to oppression and to freezing out small operators, but seeks to equalize and do justice among the customers of a road, it might be allowed. And when I say there should be some flexibility in any rule in the statute, it should be still kept within the control of the commission, their conclusions being always *prima facie* evidence of what is right in the premises.

Mr. HARRIS. Then you would not prohibit absolutely by law discriminations between individuals?

Mr. RINAKER. As I look at it I do not regard that as a discrimination. These roads compete for business, and one road makes a cut, the rate being a certain amount at a certain time. You can hardly make a law that would prevent a railroad carrying for less than the rate fixed. Another road ought to be allowed to make rates to its customers as against that of the road that cuts under them.

Senator HARRIS. We will suppose a commission to be created, authorized to fix rates; that it has fixed the schedule of rates, and they are published, the bill of lading is made out according to the schedule rates, but the transportation company allows to one man a rebate of so much, while to other customers it does not allow nearly such rebate?

Mr. RINAKER. No road should be allowed to do that.

Senator HARRIS. Can it by any such method as a rebate violate the schedule rates that have been fixed by the authority of the law?

Mr. RINAKER. It should not be allowed to do that, no, sir; because those rates ought to be uniform on a given road to all its customers engaged in that particular or any given line of business. It should not discriminate by rebate or otherwise against its own customers. The rebate to which I alluded is this: Here are two competing roads that carry merchandise of any sort to New York, or to the sea-board generally, from the West. The rate is fixed to-day. The carrier receives the freight to carry according to that rate; and while that is true and one road undertakes to carry at that rate, the other road makes a bargain with its customers for the same sort of freight at less than schedule rates.

Senator HARRIS. The latter road would have violated the law, would it not, if the rates are legally fixed?

Mr. RINAKER. The second road may be willing to carry freight for everybody, of that kind and character, at that distance, at less than the schedule rates.

Senator HARRIS. But I assume that the rate has been fixed for all the transportation companies between Chicago and New York, and has been fixed by authority of law. Now, can any contingency arise, in your opinion, which would justify one of these transportation companies, or any number of them, in allowing rebates to certain customers, or to all of its customers, which brought the actual rates received by the transportation companies below the rates fixed by law?

#### MAXIMUM RATES ONLY SHOULD BE FIXED.

Mr. RINAKER. If the law did not prohibit them to carry for less. If, in the first instance, they were not allowed to make a rebate at all, that is one thing. The rebate is to deduct from the face of the bill or to pay back, if the freight has been paid, to the shipper. But if you had that provision in the act it would prevent another road making an open contract with its customers to carry for less than that rate. When that had been done and both were receiving freight at the same time, at

the same rate, and one company found out that the other had been carrying for less and did not do it by way of rebate, but by open contract, they ought to be allowed to pay something back to their customers, I take it.

Senator HARRIS. As I understand you, the rates fixed by the commissioners would be simply maximum rates, leaving the transportation company free to reduce them?

Mr. RINAKER. Yes, sir. They should not be allowed to do it as against their customers, but only as against each other. I do not see any objection to granting them the right to give the rebate in that case.

#### RATES SHOULD BE UNIFORM TO ALL SHIPPERS.

Senator HARRIS. In allowing rebates as you suggest, would you allow a given transportation company to allow a rebate to one individual customer without allowing it to its other customers shipping over the same line, from the same point to the same point?

Mr. RINAKER. No, sir; not at all. Still, there might be conditions under which it would not be unreasonable to do something of that kind; but, speaking of what the law should be, I should say not.

The CHAIRMAN. You take the ground that the railroad commission ought to have the power to fix schedule rates of freight. Do you mean by that the maximum rate?

Mr. RINAKER. Yes, sir.

The CHAIRMAN. And not the minimum?

Mr. RINAKER. No, sir; of course not. I take this to be true, that if the shipper and the carrier, those two classes, and the consumer as a third class, all understood the facts precisely alike, the common interest and the common good sense of all of them would dispense with the necessity of a statute on this subject at all. I take it that these statutes and these regulations and this machinery to regulate the carrying business of the country is a sort of educational process to bring these people together and enable them all to see that their interests are harmonious, and not necessarily conflicting. They conflict, of course, but not hostilely.

The CHAIRMAN. Can you suggest just the kind of law that, in your judgment, ought to be passed by the Congress of the United States?

Mr. RINAKER. I would not like to undertake to do that in the presence of United States Senators and railroad people. I might have my views about it, but I would expect any expression of them to be modified very soon by very good reasons that would be presented by better informed gentlemen.

The CHAIRMAN. I would not expect you to sit down there and give a *verbatim* statement of the statute you would be in favor of. We find that in traveling about the country some men believe there ought to be a law providing for a commission; that there should be a law providing against pooling, or, if pooling is allowed to exist, that it should be under the control of the railroad commission to the extent of looking into their contracts and modifying them if necessary; that there should be a law requiring publicity of rates by all railroads; that there should be a law that would prevent a change of those rates, except on giving notice; that rebates and drawbacks ought to be prohibited; that there should not be a greater charge for a short than for a long haul. That, for instance, is the scope of the ideas of a great many people in reference to what a law of Congress ought to contain, if one should be passed.

Mr. RINAKER. As a general outline, I think that would be the right policy.

The CHAIRMAN. Would it be safe, in your judgment, to the public interest—and when I say the public interest I mean the business people as well as the transportation companies themselves—to pass a law prohibiting pooling, prohibiting drawbacks and rebates, prohibiting a greater charge for a short haul than for a long one, and requiring publicity of all rates of charges?

Mr. RINAKER. Something of that general character, I would think. It is very dangerous to be too specific in it.

The CHAIRMAN. You think it would be dangerous?

Mr. RINAKER. Yes, sir.

The CHAIRMAN. And that the interest of the public might be crippled by too specific an act.

Mr. RINAKER. By too much interference; yes, sir.

#### ELASTICITY ABSOLUTELY NECESSARY.

Senator HARRIS. Do you think elasticity is absolutely necessary?

Mr. RINAKER. Yes, sir; that is the law of commerce. The laws of commerce are more flexible than any possible statute can be.

Senator PLATT. From your observation, what do you think about public sentiment in the West, particularly in this section? Do you think it is in favor of any regulation by the Government of transportation over interstate lines, or of letting it alone?

#### WESTERN SENTIMENT IN FAVOR OF LEGAL INTERFERENCE.

Mr. RINAKER. I am inclined to think that there is a growing sentiment in favor of trying the experiment to regulate this interstate commerce, as far as the carrying trade of the country is concerned.

Senator PLATT. Do you think that sentiment in favor of doing it rests upon any real foundation of grievance?

Mr. RINAKER. Oh, there is some foundation that way, I suppose. The force of such things grows out of the lack of specific general information, or the indefinite character of the information that the people have on that subject.

Senator PLATT. I suppose grain is carried from Chicago to New York now at rates that do not afford much profit to the railroads?

Mr. RINAKER. I think that is true. I do not think there is much complaint about the prices for carrying freight to the sea-board; not the general charge. The difficulty seems to be on local portions of the lines rather than the aggregate charge going through.

#### EFFECT ON COMMUNITY OF UNPROFITABLE RAILROADING.

Senator PLATT. Do you think it is a good thing for the community at large for railroads to carry any freight at a loss, or at bare cost?

Mr. RINAKER. Not for a great while at the time or in very great quantities. It may help to build up some localities temporarily, and establish trade.

Senator PLATT. Do you think the community as a whole would be better off if the railroads were in a position to make some profit on their business?

Mr. RINAKER. A fair compensation for their services.

Senator PLATT. Are there any pools in Chicago?

Mr. RINAKER. I am not prepared to give you definite information on that subject. Mr. Bogue, when he comes on the stand, will be able to give you the precise information on that subject, perhaps, better than any other individual.

Senator PLATT. How long has your railroad commission been in operation in Illinois?

Mr. RINAKER. It was established in 1872.

The CHAIRMAN. 1871 or 1872.

### MARSHALL FIELD'S STATEMENT.

MARSHALL FIELD, dry-goods merchant, appeared and said:

I was not aware that I was to appear before this committee until yesterday, and I have had no time to give any study to the questions contained in the circular issued by the committee.

Senator PLATT. I would like to have a question answered first, which is not on that schedule; that is, whether there are any real occasions for complaint against the management of railroads with reference to interstate transportation, and if so, what they are?

Mr. FIELD. I do not think there are many, except upon the part of stockholders. I think they have some complaints to make, and very serious ones.

The CHAIRMAN. As a merchant, you do not know of any?

Mr. FIELD. Not many, and those only in general way. I do not.

### EXTORTION AND UNJUST DISCRIMINATION.

The first question in your circular is, "The best method of preventing the practice of extortion and unjust discrimination by corporations engaged in interstate commerce." That question is so broad and general, that I have no answer to make to it at all.

### REASONABLENESS OF RATES.

The second question is, "The reasonableness of the rates now charged by such corporations for local and through traffic." I know very few cases where rates are not reasonably cheap. I know of many that are so low that I believe the roads will be exhausted if they keep on at it.

The CHAIRMAN. You are selling goods to smaller merchants all over the Western country?

Mr. FIELD. Yes, sir; both to small and large merchants.

The CHAIRMAN. Do you or not hear from your customers any complaints of the prices of freights charged for goods that you send them? They pay the freight at the other end of the line, do they, generally?

Mr. FIELD. Always; without exception.

The CHAIRMAN. So that you do not know very much about what they do pay, do you?

### FEW COMPLAINTS AGAINST RAILROADS.

Mr. FIELD. I do, in many cases. I do not know of any complaints, except now and then. There may be cases now and then. There are local points, points away from here, as to which we sometimes complain a little where they get traffic through from the sea-board relatively cheaper than we do. But it is one of the things about which it is very difficult to determine just what to do.

The CHAIRMAN. Your goods you buy from across the water?

Mr. FIELD. Yes, sir.

The CHAIRMAN. Substantially all?

Mr. FIELD. Yes, sir. Substantially all foreign goods.

The CHAIRMAN. And you pay the freight when they get here?

Mr. FIELD. Yes, sir.

The CHAIRMAN. Do they come generally from the sea-board by rail, or do they come around by water?

Mr. FIELD. Mostly by rail.

The CHAIRMAN. You have no complaint to make against the transportation companies as to the charges against you?

Mr. FIELD. No, sir, we have not.

The CHAIRMAN. How far do you ship goods when you sell them? What are the farthest points away?

Mr. FIELD. To every State in the Union. There are no exceptions.

Senator HARRIS. Do you know whether your house gets better terms upon its imported goods than are got by other dealers here in Chicago who also import?

Mr. FIELD. Cannot say, as I know nothing as to what others pay.

Senator HARRIS. You know of no advantages that you have over other importers as to railroad transportation?

Mr. FIELD. I do not know whether we have or not.

The CHAIRMAN. You attend to your business and let others attend to theirs?

#### PUBLICITY OF RATES.

Mr. FIELD. Yes, sir. The next question is "Whether publicity of rates should be required by law; whether changes of rates without public notice should be prohibited; and the best method of securing uniformity and stability of rates." I do not think publicity of rates should be required by law.

The CHAIRMAN. Why not?

Mr. FIELD. I think they are all public enough now. There is nobody who does not know them that I know of. I have not heard of anybody who wanted any freights who did not know them.

The CHAIRMAN. In this State that may be so, because there are published rates made by the railroad commissioners; but the rates from New York to Chicago, for instance, are not public in the sense that they are published, are they?

Mr. FIELD. Oh, I think so.

Senator HARRIS. There is no authoritative publication?

Mr. FIELD. No sir; no authoritative publication.

The CHAIRMAN. You think everybody knows what the rates are on different classes of goods?

Mr. FIELD. I do. I think it would be putting corporations to an unnecessary expense. That is the only reason for my statement. I think, for all practicable purposes, they are as public as they would be if officially announced.

#### NOTICE OF CHANGE OF RATES.

Senator HARRIS. Do you think there should be a change of rates without three, five, ten, or fifteen days' notice?

Mr. FIELD. I think so, under the present system of doing business. I think until you can regulate your water routes you undertake a pretty



difficult thing when you say to a railroad it shall not change its rates without notice. They should not change them to one man, perhaps. They might be running their trains all empty if they did not do as they have been doing.

Senator PLATT. You would not think it was just the thing for them to change the rates to one man and not to another?

Mr. FIELD. No, sir.

Senator PLATT. Or that they should determine on a reduction of rates, to take place ten days hence, and let one man know of it and not another?

#### MAXIMUM AND MINIMUM RATES.

Mr. FIELD. I suppose that should not be done. The next question, "The advisability of establishing a system of maximum and minimum rates for the transportation of interstate commerce," I should not recommend it.

The CHAIRMAN. You do not think it would be a good thing?

Mr. FIELD. No, sir.

The CHAIRMAN. What is your reason, generally, for that view?

Mr. FIELD. It is this: That transportation from the end of Lake Superior by water is just the same, for instance, as from Chicago. You make a rate that railroads should not go below, and they would not have any business in the summer time. They would rather run their business very cheaply and compete with water than to go without any business. It is for the benefit of the people to allow them to do it, and of shippers generally. The shippers would pay more money for their freights, all around, otherwise. That is my view of it. The same thing might apply to river points. The roads would not have any business all summer, and the people would pay more money for their freights.

#### THE FACTORS TO BE CONSIDERED IN FIXING RATES.

The fifth question is, "The elements of cost, conditions of business, and other factors that should be considered in fixing the tariffs on interstate traffic." That is a pretty broad question, it seems to me. It depends so much upon the cost of the road, to build it, and the cost to operate it after you have built it, and the amount of business you have to handle. All those things should be considered.

The CHAIRMAN. On your theory, the rates ought not to be fixed at all by law?

Mr. FIELD. Not unless you are going clear to the bottom of it, and are going to have the Government control the entire subject. Then I would not object.

The CHAIRMAN. You think it would result in Government ownership?

Mr. FIELD. No, not in Government ownership, but Government supervision, to a certain extent. But Government should say where a railroad should be built if it fixes rates for transportation. We have had a great many good properties ruined by that operation, as you all know.

Senator PLATT. Do you think the National Government can determine the question of whether the public convenience and necessity require the building of a road?

Mr. FIELD. I think it could.

Senator PLATT. That is, if it is to run from one State into and through other States?

Mr. FIELD. Yes, sir; of course, it is a very different affair here from what it is in Europe. There each country is comparatively small; but I think there would be no trouble in a proper provision to determine that.

Senator HARRIS. Do you think the Federal Government should have power, for instance, to say to the States of Illinois, Ohio, and Indiana that they must not charter a railroad running through those three States?

Mr. FIELD. That you know better about than I do. I merely say that I would not give the Government the power to fix rates unless I gave it further control and went to the bottom of the subject.

Senator HARRIS. My own opinion is that the States have absolute power to charter or not to charter, or to prohibit, and the Federal Government has no power over it.

Mr. FIELD. Then I should not let the Government fix the rates.

Senator PLATT. A great deal of this difficulty about the question grows out of the fact that railroads have been built where they ought not to be.

Mr. FIELD. Of course. There is an illustration of a road between here and New York that never should have been allowed to be built, and never was wanted.

Senator HARRIS. Having got it, the people who own it now must have an unremunerative property, or else the public must be taxed to pay on two or three times as much capital as they ought to?

Mr. FIELD. Yes, sir.

Senator HARRIS. You think it is better to let the investors take care of themselves?

Mr. FIELD. I do not, originally; but having done it, I do not know how you are going to get them out of the woods. No; in the future I would take care of them.

#### REBATES AND DRAWBACKS.

The sixth question is, "Should any system of rebates and drawbacks be allowed; and, if so, should such transactions be regulated by law and be subject to official inspection or approval?" I do not know why railroads should not be run like any other business.

The CHAIRMAN. Your business is very extensive, as I know; and these other gentlemen know something of it. Would you have any objection to saying whether you have been favored with rebates in your shipments?

Mr. FIELD. I would not care to say anything on that subject. I think you will appreciate, however, that any one who has twenty or thirty solid car-loads a day should have some advantages over—

The CHAIRMAN. Over the man who has one?

Mr. FIELD. No, I would not say that; but over ten men who have one. If you have molasses and silks all in the same cars, you may have damages.

Senator HARRIS. There is some risk in it?

Mr. FIELD. Yes, sir.

The CHAIRMAN. There has been complaint all over the country that some men are favored with rebates and others are not, which results in unjust discriminations between persons.

Mr. FIELD. So far as my knowledge goes, that is one of the things that is greatly exaggerated.

The CHAIRMAN. You do not think there is enough in it to justify any provision in a law of Congress on the subject?

Mr. FIELD. No, sir; I do not.

## SHOULD POOLS BE PERMITTED.

The seventh question is, "Should pooling contracts and agreements between railroads doing an interstate business be permitted, or should they be entirely prohibited by law?" My notion is they should be legalized.

The CHAIRMAN. You think pooling in itself is not a disadvantage to the business interests of the country?

Mr. FIELD. No, sir; I think it is an advantage.

The CHAIRMAN. You would have no objection, would you, to a provision of law giving some governmental authority over the matter of pooling?

Mr. FIELD. No; I have believed for some time that governmental control is the right thing, but I want to go, as I said before, to the bottom of the question, when I should recommend that, and take up the whole subject.

The CHAIRMAN. You say you want to go to the bottom. What are you actually for on the question of governmental regulation? Are you for any regulation, and, if so, what?

Mr. FIELD. If it could be done, I think I should favor thorough governmental regulation, and designate where new railroads should be built.

The CHAIRMAN. Take the country as it is. Here are roads built, some of which, in your judgment and in the judgment of almost everybody else, probably ought not to have been built. There are a great many of them.

Mr. FIELD. There are a great many of them. The one I mentioned is perhaps the most forcible illustration.

The CHAIRMAN. The West Shore road?

Mr. FIELD. What is known as the New York, Chicago and Saint Louis is the one I mentioned more especially.

The CHAIRMAN. Take the situation as it now is in the country. We are trying to ascertain, if possible, whether any legislation by Congress looking to the regulation of commerce between the States should be had, and, if so, just what we can afford to recommend, and what Congress can afford to pass, and what provisions of law should be incorporated in any bill that should be passed by Congress looking to the safety of business as well as to the protection of the property and the money invested in railroads.

Mr. FIELD. I do not know that I am prepared to answer that. I read over the Cullom bill last night, and for a "starter" it impresses me as being about as good a thing as you would be likely to start on. We could see what could be done later on.

## SHIPPERS SHOULD BE PERMITTED TO SELECT ROUTES.

The eighth question is, "Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?" I think such a provision should be made, most decidedly.

The CHAIRMAN. You think a shipper ought to have the right to control his own shipments?

## UNIFORM SYSTEM OF RATES.

Mr. FIELD. Yes, sir. The ninth question is, "By what method can a uniform system of rates for the transportation of passengers and freights

by all the corporations engaged in interstate commerce be best secured?" As things are now I do not see anything that would secure them so well as legalized pooling.

#### LONG AND SHORT HAUL.

The tenth question is, "Should corporations engaged in interstate commerce be permitted to charge a lower proportionate rate for a long than for a short haul?" I think they should; I think that can be very easily shown.

The CHAIRMAN. Should they be allowed to charge more in the aggregate for a short than for a long haul?

Mr. FIELD. I should leave that to the corporations. They can be their own judges as to that. I can not illustrate that better than with a train of cars, for instance, made up to go from here to Kansas City, where they go very promptly, and after being unloaded are sure of return freight. I think the railroad can afford to take them cheaper than to take them to a point 100 miles this side of Kansas City, where they might lie around for some time, and perhaps not come back for a month.

The CHAIRMAN. You think it costs less to take them to Kansas City than to a point 100 miles this side?

Mr. FIELD. Yes, sir. I think the cost is less. I think any practical railroad man would tell you that.

The CHAIRMAN. So that you would be opposed to any provision of law that would prohibit absolutely in terms the charging of more for a short than for a long haul?

Mr. FIELD. I would be against any such law; yes, sir.

Senator HARRIS. Suppose you take this case: you pick up a car-load 100 miles east of Chicago, on one of the lines running to New York; do you think the railroad company ought to be authorized to charge more to carry that car-load to New York than to carry a similar car-load from Chicago to New York over the same line?

Mr. FIELD. That depends upon circumstances; if the car had to be sent from Chicago, and remained there two or three days to load, it would cost the company more than if they sent the car loaded direct from Chicago to New York.

Senator HARRIS. Reversing the illustration, suppose you take up a car-load at Chicago for a point 100 miles this side of New York, do you think the transportation company should be authorized to charge in that case more to carry that car-load to a point 100 miles this side of New York than to carry the same car-load on to New York?

Mr. FIELD. I think the chances are that it costs them more to do that business. The car gets side-tracked there, and you do not know when you will get that car back. The car may have to go to New York to get return freight.

Senator HARRIS. Even though it has, is there any reason why they should charge more than to go through to New York?

Mr. FIELD. I think they can do the through business cheaper.

The CHAIRMAN. I have heard it stated that persons buying goods at a point 500 miles this side of San Francisco could have them shipped to San Francisco and then back to that point cheaper than they could be shipped from here to that point.

Mr. FIELD. I do not think that could be substantiated.

The CHAIRMAN. Is that right?

Mr. FIELD. No; it would not be right.

The CHAIRMAN. I ask you, because I take it for granted you are selling goods out through that country.

Mr. FIELD. We are. I do not think that is true. I admit it works against us here by having to compete with water to San Francisco. It drives some business away from us, undoubtedly. But I think the actual cost of taking it to San Francisco by water, and then bringing it by rail from San Francisco to that point, is less than for taking it from here to that point. I have heard such things as you have stated, but I do not believe them.

The CHAIRMAN. You have never found such statements to be true?

Mr. FIELD. No, sir, I never have.

#### CONCESSIONS TO LARGE SHIPPERS.

The eleventh question is, "Should any concessions in rates be allowed to large shippers except such as represent the actual difference in the expense of handling large shipments over small shipments?" I doubt whether there is any difference made greater than the expense of doing the business.

Senator HARRIS. Do you think there should be?

Mr. FIELD. No; I do not think there should be any greater than the expense in doing the business, and I do not think there is.

#### UNIFORM SYSTEM OF ACCOUNTS.

The twelfth question is, "Should corporations engaged in interstate commerce be required to adopt a uniform system of accounts?" I should think not. I do not know why every corporation should not keep its accounts as it pleases.

Mr. PLATT. I suppose the meaning of that question is, Should they be compelled to adopt a uniform system of accounts, so that they can furnish uniform reports to the Government authorities of their condition?

Mr. FIELD. I cannot see the slightest objection to that. I should think they ought to, so far as giving reports to the General Government is concerned. Yes, they ought to keep a uniform system of accounts, so far as that goes. I think there are many things as to which a proper Government system would be a benefit to the railroads of the country. A great many little things, such as the size and height of their cars, coupling, and trucks, and many things that could be made uniform that may not be thought of to-day, but which, if uniform, would be of benefit to the railroads and to the country.

#### ANNUAL REPORTS TO THE GOVERNMENT.

The thirteenth question is, "Is it desirable that such corporations should be required to make annual reports to the Government?" I do not see why they should, under the present system of railroading, as long as they have to make it to each State, and I suppose they will always have to do that.

#### GOVERNMENTAL AID TO WATER ROUTES.

The fourteenth question is, "In making provision for securing cheap transportation, is it or is it not important that the Government should develop and maintain a system of water routes?"

The CHAIRMAN. Have you studied this question of the development of waterways, such as the Erie Canal and the proposed Hennepin Canal, that has been talked about a great deal?

Mr. FIELD. Only in a general way. I think all those things are beneficial to the country. I do not know what the country would have been without the Erie Canal.

The CHAIRMAN. And as a means of cheapening transportation, what would you think about the development or construction of what we call the Hennepin Canal?

Mr. FIELD. It would cheapen transportation for the whole Western country, and especially for the country west of the Mississippi River. To the fifteenth question, "In what manner can legislation for the regulation of interstate commerce be best enforced," I have nothing to say that I know of.

The CHAIRMAN. You have already stated what your general business is as a merchant; are you interested as a railroad man as well?

Mr. FIELD. I am a stockholder in some of the roads.

The CHAIRMAN. You find your railroad stock not paying very well.

Mr. FIELD. Some of them pay moderately well; none of them are paying very largely; like everything else, making less money than from 1879 to 1882, but the conservative, well-managed roads are earning dividends.

Senator HARRIS. Your investments in railroads are small, compared with your other business?

Mr. FIELD. Yes, sir; compared with my mercantile business.

#### WATER COMPETITION WITH RAILROADS.

Senator PLATT. Is Duluth a competing point with Chicago for the Eastern trade?

Mr. FIELD. For water business it is. It costs no more to ship wheat from Duluth than it does from Chicago to New York.

Senator PLATT. That was the point you referred to when you spoke about the lake transportation?

Mr. FIELD. It was, in the north, but the river points southwest come into competition in the same way.

The CHAIRMAN. You think, as a matter of fact, that in the winter, while the lake is frozen over and vessels are not running on it, that freights are higher between here and the sea-board?

#### REDUCTIONS DUE TO STEEL RAILS AND COMPETITION.

Mr. FIELD. Yes, sir; they are higher, for it costs more to operate the roads in the winter. You must, of course, not lose sight of the fact that the railroads have cut the rates in two in the last ten years in the Western country; some of them more than that.

The CHAIRMAN. Do you mean through rates or local rates?

Mr. FIELD. Both. The average per ton per mile is just about half what it was ten or twelve years ago, which can be accounted for, of course, to a great extent, by the use of steel rails. That has been the thing that has brought the change about more than anything else.

The CHAIRMAN. And the general improvement in the management of railroads as well?

Mr. FIELD. Yes, sir; of course, competition has had something to do with it, but steel rails have had more.

Senator PLATT. There are a great many other improvements besides steel rails?

Mr. FIELD. Yes, sir.

Senator PLATT. Such as the reduced cost of cars, and the general improvement in managing the business?

Mr. FIELD. Yes, sir.

Senator PLATT. But steel rails are the greater item?

Mr. FIELD. Yes, sir.

Senator HARRIS. The great advantage of the steel rail is found in its longer life than the iron rail?

Mr. FIELD. Yes, sir.

Senator HARRIS. And it does not cost half as much as an iron rail cost a few years ago, either.

Senator PLATT. The iron rails cost the most now, do they not?

Mr. FIELD. Yes, sir.

### EDWARD C. LEWIS'S STATEMENT.

EDWARD C. LEWIS, a former railroad commissioner of Illinois, appeared and said:

I was only connected with the board two years. I want to say, generally, that the railroads of Illinois have acquiesced in the law, and obey it without any trouble. I can only say, generally, that so far as the commission is concerned, the working of it has been very satisfactory. The railroads have acknowledged the force of the law, and obey and recognize the suggestions of the commission. The result has been a reduction of rates in the State of Illinois away beyond anything ever dreamed of by the first commission, or by the railroads themselves.

Senator PLATT. Can you approximate what the average reduction of rates has been since 1872, for instance?

Mr. LEWIS. No, sir; I would not undertake to do that generally. I could not do it. I can furnish the figures if the Senator desires.

Senator PLATT. I wish you would. You have been fixing rates all these years?

Mr. LEWIS. For two years. Yes, sir; the commission has, all these years.

The CHAIRMAN. Under our law, the railroad commissioner is only in office for two years, except by reappointment; the result of which is that none of these gentlemen, General Rinaker, or Mr. Lewis, or Mr. Brainard, who will be here, have been in office more than two years. There will be probably one or two ex-commissioners here who have been in longer.

Senator PLATT. But the railroad commission has been fixing the rates ever since its inauguration?

### MAXIMUM RATES FIXED BY ILLINOIS COMMISSION.

Mr. LEWIS. Yes, sir; maximum rates. Of course there was a long struggle, during which the matter was litigated, but since the Supreme Court passed upon the question the roads have acquiesced.

Senator HARRIS. Have the roads here generally charged the maximum rate fixed by the commission?

Mr. LEWIS. No, sir; I think I might safely say that they have not generally. Of course they are entitled to do so. The railroad commission of Illinois fixes the maximum rate, but they insist that there should be no unjust discriminations, that the rates shall be the same to everybody. But the rates have been much below what the railroad commission fixes, in point of fact.

The CHAIRMAN. You say the rates have been put below by the railroads themselves?

Mr. LEWIS. Yes, sir.

The CHAIRMAN. What is the condition of the railroads in Illinois? Can you state officially?

#### UNFAVORABLE SITUATION OF ILLINOIS RAILROADS.

Mr. LEWIS. Some of them are very prosperous and others are in a crippled condition.

The CHAIRMAN. What proportion of them have actually gone into bankruptcy or had receivers appointed?

Mr. LEWIS. I believe out of something between fifty and sixty roads we have only nine or ten that are dividend-paying roads.

The CHAIRMAN. The balance of them have been unable to pay any interest on their indebtedness?

Mr. LEWIS. Yes, sir.

Senator HARRIS. Unable to pay any dividends?

Mr. LEWIS. Yes, sir.

The CHAIRMAN. You were a commissioner for two years. In that time did you make schedules of rates for the railroads?

Mr. LEWIS. Yes, sir.

The CHAIRMAN. Did the railroads comply with the schedules and adopt them?

#### RAILROADS COMPLY WITH COMMISSION'S SCHEDULES.

Mr. LEWIS. Yes, sir; I must say that they almost uniformly have done so. There have been occasional complaints of extortion, but they were almost universally corrected.

The CHAIRMAN. By the railroads?

Mr. LEWIS. By the railroads.

Senator PLATT. Do you fix rates for freight going out of the State?

Mr. LEWIS. No, sir; our jurisdiction is limited to the State.

The CHAIRMAN. You do not fix rates for freight shipped from New York to Chicago or from Chicago to New York?

Mr. LEWIS. No, sir; we could not fix any rate on that.

Senator PLATT. You do not pretend to say what proportion of the through rate shall be charged within the State of Illinois?

#### NECESSITY FOR REGULATION OF INTERSTATE COMMERCE.

Mr. LEWIS. We have not that power under the law; no, sir; and that is why I think it is necessary that there should be Government regulation of interstate business, because interstate business comes in conflict with the State business. We frequently find a manufacturer, for instance, in a rival business with another who obtains his supplies from outside of the State, while the other one obtains his inside of the State. He can be built up by the railroad that has interstate connection against the other one who cannot be protected by his road because it is entirely within the State. It results in a discrimination against the State's interests and embarrasses the State commission. So I say that the regulation by the State commission of State commerce cannot be perfect without interstate regulation.

Senator HARRIS. And then the systems would have to harmonize to a very large extent?



Mr. LEWIS. Yes, sir; they must harmonize.

The CHAIRMAN. What is your idea of how they should be made to harmonize?

A COMMISSION SUGGESTED.

Mr. LEWIS. I have no other idea than a commission appointed with necessary powers. I do believe that a commission or a board of arbitration ought to be clothed with discretionary powers; that they ought to be permitted to take up any individual case and determine what is correct and right in that case, and that their decision ought to stand until it is reversed by the courts. I believe that is true in reference to the State commission, and it ought to be true in reference to a Federal commission.

Senator PLATT. Do you believe that the State of Illinois could regulate the matter of transportation charges so as to make them fairly equal between individuals, if it had no commission? Could it do it by statute?

Mr. LEWIS. No, sir.

Senator PLATT. You do not believe it is practicable either in State or in national legislation to regulate railroad transportation charges simply by statute without a commission?

Mr. LEWIS. No, sir; I have no idea it could be done.

The CHAIRMAN. Your idea is, from your experience, that that commission ought to be given considerable authority, and under a law that was flexible as to the enforcement of the judgment of the commission in dealing with people and transportation companies?

Mr. LEWIS. Yes, sir; I think so.

RATES SHOULD BE PUBLIC.

The CHAIRMAN. Would you think it would be safe, or not, to require publicity of rates?

Mr. LEWIS. I think it should be always so. I think the rates ought always to be public.

The CHAIRMAN. Should they be allowed to be changed without notice?

Mr. LEWIS. I think not.

The CHAIRMAN. How much time should be given?

Mr. LEWIS. I do not lay so much stress upon the notice as I do upon the fact that they should be public to all alike. Of course, in the question of notice, the public would be treated fairly if no one had notice.

The CHAIRMAN. You mean as to change?

Mr. LEWIS. Yes, sir.

Senator HARRIS. About what proportion of the complaints of extortion which have been investigated by the Illinois commission have been found true and the complaints well founded?

Mr. LEWIS. Pretty generally well founded, or the result of misapprehension.

Senator HARRIS. In a great majority of cases, if I understand you, where the commission has investigated and found the complaints well founded and reported the facts to the railroad companies, they corrected the error without litigation and without trouble?

EXTORTION AND DISCRIMINATION.

Mr. LEWIS. Yes, sir; the question of discrimination being of a broader character. The complaint of extortion might be that some

railroad company had charged too much for the shipment of an animal, or on a shipment of grain, or something of that sort; but the complaints of discriminations that we are in conflict about in this State result from the fact that they cover a broader scope. It may result in the building up of one town as against another, and it may have been necessary in order to enable a railroad to protect its business and its shippers. Those conflicts we have now been attending to, and that is why I say a commission ought to be clothed with authority to go upon the ground and take up the individual case and determine for themselves whether there is unjust discrimination; and if there is not, sustain the action of the road, of course allowing the people to appeal; or, on the other hand, sustain the people and let the road appeal.

Senator PLATT. Have you had many complaints that there were discriminations against places?

Mr. LEWIS. Yes, sir; we have had.

Senator PLATT. Why should a railroad discriminate in favor of one place as against another? What interest is it to the railroad?

#### DISCRIMINATION AGAINST PLACES ILLUSTRATED.

Mr. LEWIS. Let me state an actual case, because I think that would perhaps explain it better than any other. The Illinois Central Railroad runs north and south in this State. It crosses east and west lines to and from New York. As you go south, on the Illinois Central, you lessen the distance between those points and New York, in relation to a shipment by way of Chicago. Now, the Chicago merchants are building up a trade on the Illinois Central, and when you reach a crossing where it crosses an eastern road they come in contact with Indianapolis competition, or New York, by way of Indianapolis, with less distance. Unless a concession is made by the Illinois Central Railroad, the Chicago merchant loses his business in that town. To meet that competition, he protects his shipper there, whether a grain shipper or dealer, or a Chicago man who does business down there in selling goods, and the result is a violation of our law. That is, a lower rate would be given to that town than to a neighboring town.

Senator PLATT. If it happens to be off the line?

Mr. LEWIS. Yes, sir; if it happens to be without the scope of that cross road. Yet that might not be unjust.

Senator PLATT. The question I was going to ask you is this: Do you know of any instance where the railroad, because it or its managers are interested in real estate, gives preferences to places?

Mr. LEWIS. No, sir; not in my experience on the commission.

The CHAIRMAN. Those apparent discriminations have been the result of a struggle to hold on to the business coming north, as in the case of the Illinois Central?

Mr. LEWIS. Yes, sir; of course that is only one instance, but there are many instances that arise in a desire on the part of the company to protect its shippers.

#### THE BELLEVILLE CASE OF DISCRIMINATION.

Mr. RINAKER. Give the coal case running into Saint Louis.

Mr. LEWIS. Yes, the Belleville case; that case covers several of the questions presented here. Here is a railroad running from East Saint Louis out through the coal-fields; these coal-fields are all alike; they extend for 70 miles. The superintendent of a railroad found that the

market for all the coal at these different points was Saint Louis. The mines are 5, 6, 8, or 10 miles apart. The business of that road largely depended on the coal, and they were obliged to put the coal of these men into the market upon about the same basis, or the nearest mine would freeze out this one at a distance. The road did that. It practically allowed the man who was 50 miles out to get his coal to market at the same rate as the man 10 miles out. The man 10 miles out complained that it was unjust discrimination against him. Our law forbids the charging of the same or a less sum for a greater than for a shorter distance for the same service over the same road and in the same direction. Our commission, upon a divide in opinion, decided by a majority that the road might charge the same from those different points to that common market. I do not think the courts have passed upon that case yet.

Senator PLATT. They did not charge more for the short than for the long haul?

Mr. LEWIS. No, sir.

Senator PLATT. Did they charge as much?

Mr. LEWIS. They held that they might charge the same for the short haul as for the long; that is, they might eliminate distance practically.

Senator PLATT. If they had been obliged to make a pro rata charge according to the distance?

Mr. LEWIS. It would have dried up that railroad and closed the mines. It would have practically ruined the railroad and the mines that were farthest from East Saint Louis.

The CHAIRMAN. What would have been the result on the consumers in the price of coal? Would not the owner of the nearest mine, after the outside mines were frozen out, as you say, have put up the price of coal?

Mr. LEWIS. Undoubtedly, and incidentally it would have affected all the manufactured products.

The CHAIRMAN. This State is largely a bituminous coal State.

Mr. LEWIS. Yes, sir.

The CHAIRMAN. Mines are scattered all over it nearly, are they not?

#### ILLUSTRATION SHOWING NECESSITY FOR FLEXIBILITY.

Mr. LEWIS. Yes, sir. If you will permit me I will state another case which raises this question of interstate commerce. Your people at Springfield applied to us for permission to make a rate from Springfield to Chicago much below the commissioners' rate and much below what would be the proportionate rate upon that railroad, the Illinois Central Railroad. They wanted to supply, I think it was perhaps the Michigan Central or the Grand Trunk, but some road running east, with a large amount of coal. If they could make a rate that would enable them to take that contract and fill it, it would have amounted to a business of, I guess, half a million dollars to the State of Illinois. But it would have been a violation of our law, because they could not make the same pro rata charge along the whole line of the road. And yet it was not below cost. The proposed price represented a profit; not profit enough upon which to operate the road, yet it would have earned enough for the stockholders, and it would have encouraged and opened a large field for business. We were compelled to refuse that concession, under our law as it stands, and the interstate road furnished the coal.

The CHAIRMAN. What road was that? The coal came from where? Mr. LEWIS. The coal came from Indiana. I do not remember the road now that furnished it. It came from outside the State.

The CHAIRMAN. So that the enforcement of the law of the State really operated against the interests of the State in that case?

Mr. LEWIS. Against the interests of the State.

Senator HARRIS. It drove the purchaser of that half million dollars of coal a year to another State because he could get the transportation cheaper?

Mr. LEWIS. Yes, sir.

#### A COMMISSION WITH DISCRETIONARY POWERS.

The CHAIRMAN. From your experience what is your judgment as to what kind of law should be passed by Congress, if any, looking to the regulation of commerce between the States?

Mr. LEWIS. As I said, I am in favor of a commission with discretionary powers sufficient to enable them to classify the different interests, to make maximum rates. I never would make minimum rates, because I do not see any reason why the full effect of competition shall not be felt in the reduction of rates. Let the railroads transport merchandise as cheaply as they please. I never in my experience yet found a railroad man who would pretend to say how cheaply a railroad, when the plant was all supplied, could furnish transportation. I do not believe they have yet learned.

Senator HARRIS. Do you think it is safe to the carrying interest, as well as to the shippers' interest, to provide by law that a greater charge should not be made for the shorter than for the longer haul?

#### SHORT AND LONG HAUL.

Mr. LEWIS. Yes, sir; I think that provision ought to be in the law.

The CHAIRMAN. There should not be a greater charge for a short than for a long haul?

Mr. LEWIS. I think not.

Senator PRATT. When you establish maximum rates here you fix rates absolutely?

Mr. LEWIS. Yes, sir.

Senator PLATT. If you establish a maximum rate with the view of protecting the public, so that the roads shall not charge very much more than they ought to, while they are given a margin, will not the rates be a little beyond what the body fixing them thinks the roads should charge? Would not that be the natural consequence of fixing a maximum rate and not fixing a minimum rate?

#### MAXIMUM AND MINIMUM RATES.

Mr. LEWIS. If you could get a rate established throughout this State that would be as cheap as the railroads themselves give in Chicago, it would be away beyond anything I could expect. The object is not to protect those localities where competition is sharp. Competition will reduce the rates there. But it is to protect those localities where there is no competition. We must make a rate that is reasonable for the service rendered where the business is not large and where competition is not felt, and where there is nothing else to induce the company to make a reasonable charge except the law.

Senator PLAIT. You do not think it would be quite safe to leave it to the railroad companies to do the fair thing without any legislation?

Mr. LEWIS. No, sir.

The CHAIRMAN. Some of these railroads are in the hands of receivers, while some are on their feet making a living. You say maximum rates ought not to be fixed. Is not this a question worthy of consideration? Here are two roads beside each other, say. One is in the hands of a receiver. It has no purpose in view except to earn money enough to keep it going, and in the hands of the court. The other is doing a legitimate business. If you do not fix minimum as well as maximum rates—in other words, if you leave the question of cheapness to be settled between the roads—is not that road which is in the hands of the receiver going to ruin the other road?

Mr. LEWIS. We have had no such instance as that presented to us. Generally the receivers are anxious to make a good account, and make as much money as they can.

The CHAIRMAN. Still they have not the ordinary incentive to build up the road and make a living institution that the officers of the other road have.

Mr. LEWIS. No; I can see that there might be a difficulty of that kind. And that is one of the reasons why I have said I think a commission should be clothed with discretionary powers. But I do not think I would enact a law providing that no railroad, whether in the hands of a receiver or otherwise, should transport merchandise for the people, if it treats all alike, just as cheaply as it pleases.

#### FULL RATES AT NON-COMPETING POINTS.

Senator HARRIS. In the thirteen years' experience with the operations of your commission, I believe you stated as a general rule the transportation companies had reduced the rates below the maximum fixed by the commission from competing points.

Mr. LEWIS. Yes, sir.

Senator HARRIS. Is the same true in respect to the local traffic and non-competing points?

Mr. LEWIS. No, sir.

Senator HARRIS. They have charged fully up to the maximum fixed by the commission in respect to non-competing points?

Mr. LEWIS. Pretty generally; yes, sir.

Senator HARRIS. And have only yielded to the sharpness of competition from competing points?

Mr. LEWIS. Exactly.

The CHAIRMAN. Take a railroad, for instance, running from here to New York. Chicago is a competing point. Fifty miles out towards New York there is a station that is not a competing point. Do you think it is right for that railroad to charge those people at that non-competing point more than they do from Chicago?

#### COMPETITION THE LEVER TO REDUCE RATES.

Mr. LEWIS. No, in the abstract I do not think it is right; but there are a great many things that you have to submit to in dealing with a great public question. I do not believe anything but competition would ever have reduced railroad rates to the point they have reached. I do not think it could ever have been done by legislation or by any commission. It is actual competition that has done it and that keeps on doing it. That, at least, is my experience.

I believe that one of the prime objects of the commission should be to secure the full force of competition in grinding down rates. It is by that very thing that the railroads themselves have learned how cheaply they can transport. If they had their own way about it, the managers would still have been swearing under oath that they could not transport anything like as cheaply as they now do.

The CHAIRMAN. Under the operation of the competition between the companies with the legal force of the railroad commission, the rates have been going down all the time?

Mr. LEWIS. Yes, sir; because we hold that where they do recognize competition and reduce rates, there can be no unjust discrimination. A reduction to one must be a reduction to all, or else it must be very secret.

#### REBATES AND DRAWBACKS BAD POLICY.

The CHAIRMAN. What have you to say about this question of rebates and drawbacks?

Mr. LEWIS. I am unable to see any reason why they should ever be allowed at all; I do not think it is good railroad policy; I am sure it is not.

The CHAIRMAN. You think it ought to be absolutely prohibited by law?

Mr. LEWIS. I think so.

The CHAIRMAN. What do you think about the question of pooling?

#### POOLING.

Mr. LEWIS. Let the railroad commission, the Federal or State commission, determine that the rates for a service between given points are reasonable. I see no objection to determining a percentage of business by a pool by which the railroads eliminate rivalry, and the disposition to build up certain places and to bid for business; it seems to me in that case a pool is rather a benefit than an injury.

The CHAIRMAN. You think a pool would do no harm if the question of the reasonableness of charges is regulated by legal authority?

Mr. LEWIS. I think that is better than even this open competition, because that always results in an agreement which, after a while, will be broken, and there will be a fluctuation of rates, which is disastrous to everybody.

The CHAIRMAN. You live down in the country on the line of the Illinois and Michigan Canal. What effect has that canal had upon the cheapness of transportation. As little business as the canal does, has it reduced the rates for the transportation of freight?

#### EFFECTS OF WATER COMPETITION.

Mr. LEWIS. Yes, sir; and without stating just how the questions have been settled, I will state some questions that arise there. Two railroads cross that canal in my immediate vicinity; it results in their giving to the localities that are enabled to ship on the canal, where that competition is sharp, a rate which is less than they give at points out of the reach of the competition, and also in a technical violation of our law, which declares that a less charge shall not be made for a greater distance. If you take the schedules of the roads that reach water transportation or cross the canal, you will find a descending scale of the rate as it approaches, and an ascending scale as it recedes from that transportation.

The CHAIRMAN. The further away from the canal the higher the transportation charges?

Mr. LEWIS. Yes, sir; that discrimination is not an unjust one, because it is the simple natural advantage that these people are entitled to who happen to live on that canal. The same thing applies to those cross roads. If you hold that our law, as it stands, shall be technically enforced, you eliminate the competition and deprive them of the benefits which they should naturally derive from that fact. That is one of the questions we have had a good deal of trouble with in this State.

#### GREAT RANGE OF INFLUENCE OF WATERWAYS.

The CHAIRMAN. It is stated by Mr. Fink that the lakes and the Erie Canal, at least, have a very appreciable effect upon the rates of transportation charges all over the country, and that when the lakes and the Erie Canal are open, rates of freight are reduced not only here, but at Saint Louis and further down the Mississippi River.

Senator HARRIS. Going to the extent, even, of New Orleans?

The CHAIRMAN. Yes; I believe he stated the effect was felt clear to the southern part of the country. Would that be your opinion?

Mr. LEWIS. Yes, sir; from my experience. Of course my experience is limited, but I should think that was so.

The CHAIRMAN. What would be your view of the duty of the General Government in reference to the improvement of the waterways and the construction of canals, as, for instance, the Hennepin Canal. Would you or not think the Government right to embark in an enterprise of that kind?

#### GOVERNMENT SHOULD AID WATERWAYS.

Mr. LEWIS. Coming from where I do, I should have to say I think the Government ought to embark in the enterprise.

Senator HARRIS. Something depends on the standpoint from which you look at things, if I understand you.

Mr. LEWIS. Yes, sir; I want to say this: Suppose a canal is paralleled by a railroad; in some lines of business there is really no competition. Transportation by canal is so slow, and the returns come so late, that the man doing business on a railroad can travel all around a man who tries to do business on a canal. Take the shipments of grain and the getting of returns. A man with \$10,000 capital on a railroad can discount another with five or six times the capital on a canal. In reference to many things, there is no competition, but the general effect, of course, is felt, and these railroads have to recognize it, I tell you.

The CHAIRMAN. They do recognize it, and the people get the benefit.

Mr. LEWIS. Yes, sir, as a matter of fact.

Senator PLATT. As to that class of merchandise which people want to send quickly, how would it make any difference? There are classes of merchandise which you want by express, because time is essential; other classes you send by fast freight lines because time is essential as to those. What appreciable effect would canals have on the rate for those?

Mr. LEWIS. I suppose railroads have their regular shippers, and if they get a man's trade in one line of business they try to get it in all. They do not care to have him build up a plant on a canal, for the reason that he would use it, if necessary. They would prefer that their men shipping on their road would not own boats.

## THE UNIT OF TRANSPORTATION A CAR-LOAD.

Senator PLATT. It is due to the moral effect rather than to competition, then?

Mr. LEWIS. Perhaps so. I do not know that I have anything further I care to speak of except, perhaps, the question that was raised in reference to the unit of shipment. I have some little interest in that, and the question in reference to concessions made to large shippers. I believe in the car-load as a unit for the State of Illinois. Of course, we have had some controversy on that matter. I believe I differed on the commission from my brother Brainard on that subject. I think the car-load should be the unit in this State for the reason that throughout our State there are a good many country wholesale merchants who have a little jobbing trade which they have built up by virtue of having a rate on car-load lots. If the rate were made per pound or per hundred pounds, or any rate of that sort, it would enable every merchant to go to Chicago; it would dry up that business. I believe it is good policy to encourage that trade in the State. I am aware that large points like Chicago and Saint Louis are in favor of a rate per hundred pounds.

Mr. BRAINARD. That refers entirely to merchandise and house goods, and not to grain or flour?

## WHERE A CAR-LOAD UNIT MIGHT BE UNWISE.

Mr. LEWIS. Of course we do not differ on grain. I only refer to merchandise and do not refer to grain. But when it comes to the question of interstate commerce, that is a broader field. It may be that it would not be wise to insist upon a car-load as the unit as between points in the West and New York. It may be that it would rob certain lines of a trade which they are justly entitled to.

As to a concession as between Chicago and New York, or between different points in the State and Chicago, or any other large commercial center, I believe the man with one car is entitled to just exactly as favorable a rate as if he had one hundred, and I do not think the difference in the cost of shipment to the railroad company amounts to anything. They can just as well ship ten cars for ten men as ten cars for one man.

Senator PLATT. Suppose a car of general merchandise is made up in New York for Chicago, but there are five consignees to that car; does it practically cost any more to bring that car from New York and deliver the goods here at Chicago than if it were consigned to a single man?

Mr. LEWIS. Yes, sir; I think there would be a difference.

Senator PLATT. It would be very slight, would it not? You can handle a train of one hundred cars at less expense, possibly, than a single car.

Mr. LEWIS. Suppose the hundred cars belonged to a hundred different men, they would handle them at just the same expense as if they were to one man. They would side-track them on the same track.

The CHAIRMAN. Or unload them in the same warehouse?

Mr. LEWIS. Yes, sir; but it was a car made up of different consignments of different classes of goods, all jumbled up together, and bills of lading for each of the different lots; it seems to me that would be more trouble and expense, and they would be more liable to damage.

Senator HARRIS. The difference would be very slight in the case put by Senator Platt, would it not?

Mr. LEWIS. Yes, sir, of course. It would be very slight; hardly worth considering, perhaps.



## WILLIAM N. BRAINARD'S STATEMENT.

WILLIAM N. BRAINARD, late chairman of the railroad and warehouse commission of the State of Illinois, appeared.

The CHAIRMAN. Mr. Brainard, you have been a business man here in the State, and have been a railroad commissioner for two years past; we would like to have your views on this question generally, and your experience with the operation of the commission in the State.

MR. BRAINARD. I received the circular issued by your chairman and had hastily made up some answers in regular order to them, and at your pleasure I will give them, and then answer any question.

The CHAIRMAN. You may read your answers, and then we will hear anything.

## HOW TO PREVENT EXTORTION AND UNJUST DISCRIMINATION.

MR. BRAINARD. To your first question, "The best method of preventing the practice of extortion and unjust discrimination by corporations engaged in interstate commerce," I will say that I believe the best method is to create a railroad commission, with power to establish reasonable maximum rates of freight and fares, to be made public; the commission to have the power to allow discriminations that are not unjust in their character, and to act, practically, as Mr. Lewis suggested, as a board of arbitration.

## RATES REASONABLE AND NO COMPLAINTS.

The second question, "The reasonableness of the rates now charged by such corporations for local and through traffic," can be answered at this time in this way: So far as my knowledge extends, with the exception of some of the extreme western States and Territories, through rates are reasonable and low. Except in the extreme west there are no complaints.

## PUBLICITY OF RATES.

To the third question, "Whether publicity of rates should be required by law; whether changes of rates without public notice should be prohibited, and the best method of securing uniformity and stability of rates," I will answer that the corporations should make all rates open to all, and make them public.

## MAXIMUM AND MINIMUM RATES.

The fourth question is "The advisability of establishing a system of maximum and minimum rates for the transportation of interstate commerce." A system of maximum rates, in my opinion, should be established. I think the plan of establishing a system of differential rates impracticable, and would work serious injury to the country at large.

## FACTORS TO BE CONSIDERED IN FIXING RATES.

The fifth question is, "The elements of cost, the conditions of business, and the other factors that should be considered in fixing the tariffs on interstate traffic." To that I answer, the elements of cost, the value of the property, the risks of damage by fire and water, or of its perishable nature, ought to be considered in the fixing interstate-traffic rates.

## DRAWBACKS AND REBATES.

To the sixth question, "Should any system of rebates and drawbacks be allowed? If so, should such transactions be regulated by law and be subject to official inspection and approval, or should they be entirely prohibited?" I answer, any system of rebates or drawbacks is of doubtful propriety, and should not be allowed.

The CHAIRMAN. You think they ought to be prohibited absolutely by statute?

Mr. BRAINARD. Certainly. I am clearly of that opinion. That opens a door for discrimination, and unjust discrimination.

The CHAIRMAN. Between individuals?

Mr. BRAINARD. Yes, sir.

## POOLING CONTRACTS SHOULD BE LEGALIZED.

Seventh, "Should pooling contracts and agreements between railroads doing an interstate business be permitted, or should they be entirely prohibited by law? If they should be regulated by law, would it be sufficient to require the terms of such agreements to be made public and subject to official approval?" Pooling contracts and agreements between railroads doing an interstate business, in my opinion, are not objectionable, and should be permitted, and such contracts ought to be made legal, as well as made public, and be approved by the railroad commissioners.

## SHIPPER'S RIGHT TO SELECT ROUTES.

Eighth, "Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?" Shippers should have the right to select the lines and parts of lines over which their shipments are transported, and corporations should have the right to make different rates over different lines as well; all rates to be made public.

Senator PLATT. How is a pool practicable without some provision for diversion of tonnage? That is, how can several roads make up a pool and give to each one its proportion of business without having power to divert, and, if they have the power to divert, does not that prevent the right of the shipper to select a line over which he would have his goods go?

Mr. BRAINARD. A reasonable rate being established by the commission, and approved by them, then comes in the question of the right of the shipper to select his line. The pooling of railroads is to divert tonnage and divide it up. If they take that position they can do exactly as they do in the limited express trains; they charge more. On the Pittsburgh and Fort Wayne Railway from here they run a limited express to New York for passengers. They can have a man make his selection. He can go on the unlimited express train and select his route, or let them select it.

Senator HARRIS. Suppose one of the lines shall receive twice as much as its proportion of the business upon the differential rates so fixed. How would you equalize that? The shipper has selected this particular line to the extent of giving that line twice as much as its proportion, as provided by law. Now, you will either have to make good that difference in money or you will have to divert the freight from the line selected by the shipper.

Mr. BRAINARD. Of course, all these details are subject to experience and practice. We are striking out, as I understand, into a new road, and I am only giving you my observations from a limited standpoint, you may say, of the observations of the railroad workings in this State.

#### UNIFORM SYSTEM OF RATES.

Ninth, "By what method can a uniform system of rates for the transportation of passengers and freights by all the corporations engaged in interstate commerce be best secured?" The question of a uniform system of rates throughout the whole country for the transportation of passengers and freight, based upon distance, by all corporations engaged in interstate commerce, and how it is to be obtained, is a problem that I very freely confess is a difficult one to solve. My judgment is that all such questions should be left to a board of railroad commissioners, to pass upon them as they may occur, and to be decided by them in accordance with the laws of trade and commerce, and to draw the line at unjust discrimination.

#### LONG AND SHORT HAUL.

Tenth, "Should corporations engaged in interstate commerce be permitted to charge a lower proportionate rate for a long than for a short haul? Does the public interest require any legislation on that subject?" In my opinion, corporations should be permitted to charge a lower proportionate rate for the longer than for a shorter haul. I think the idea of differential rate not practical.

The CHAIRMAN. That interrogatory is based on the theory of proportionate rates. What would you think about a law prohibiting charging more in the aggregate for a shorter than for a longer distance?

Mr. BRAINARD. That question will come up in regard to competition. I will reach that question before I get through here.

#### CONCESSIONS TO LARGE SHIPPERS.

Eleventh, "Should any concessions in rates be allowed to large shippers, except such as represent the actual difference in the expense of handling large shipments over small shipments, and should such concessions be made known to the public?" Large shippers ought to be allowed concessions when the actual expense of handling large shipments is less than in small shipments. No other concessions ought to be allowed.

#### UNIFORM SYSTEM OF ACCOUNTS.

Twelfth, "Should corporations engaged in interstate commerce be required to adopt a uniform system of accounts?" Corporations, when engaged in interstate commerce, should adopt substantially a uniform system of accounts, with a view to making reports, as all of our roads do in the West. In this State they substantially keep their accounts in the same way.

#### ANNUAL REPORTS TO THE GOVERNMENT.

Thirteenth, "Is it desirable that such corporations should be required to make annual reports to the Government? If so, what information as to their earnings, expenses, and operations should such reports con-

tain?" Corporations should be required to make annual reports to the Government, giving the actual cost and value of their lines and equipments, earnings, expenses, and also such general information as may be required for an intelligent understanding of the subject.

#### GOVERNMENTAL AID TO WATER ROUTES.

Fourteenth, "In making provision for securing cheap transportation, is it or is it not important that the Government should develop and maintain a system of water routes?" A system of water routes along the lines of transportation, where they can be constructed cheaply and economically maintained, is unquestionably a sure and reliable plan for securing cheap transportation, and Government ought to develop and maintain such as would bring about the desired results. It is a well-known fact that during the season of navigation over the water routes of transportation from Chicago to the Atlantic Ocean all railway freight rates to the sea-board from Saint Paul, Minn., to New Orleans, are regulated, and, in a great measure, controlled by them. The same thing is equally true when navigation is open on our Western rivers to the Gulf of Mexico.

#### A COMMISSION FAVORED.

Fifteenth, "In what manner can legislation for the regulation of interstate commerce be best enforced? Should a commission be established for this purpose?" As before stated, I am decidedly of the opinion that legislation for the regulation of interstate commerce could best be enforced and applied by a railroad commission having discretionary powers to make reasonable maximum rates and to allow discriminations that were not unjust, referring especially to railroad rates in cases when water rates come in competition; also to act as a board of arbitration.

Senator HARRIS. In your written answer to one question you say it is proper that rates should be made public. One branch of the question I think you failed to answer; that is as to whether notice should be given prior to any change of rates.

#### PUBLIC NOTICE OF CHANGE OF RATES.

Mr. BRAINARD. I do not know that there is any great advantage in that, if they are given to the public at once. They could serve them all alike at once. You might say a day's notice, for that matter, or five days'. A short time. I do not think it is very material as to time. Of course, they should give public notice, so that the public can take advantage of the rates if they are changed or lowered.

Senator HARRIS. Some very intelligent persons who have been before us have differed with each other as to the length of time, but all agreed that some notice should be given. Do you think it is immaterial as to whether the notice should be so long as five, ten, or fifteen days?

Mr. BRAINARD. Yes, sir; a reasonable notice. Five, ten, or fifteen days.

The CHAIRMAN. You said that you would come to that question of long and short haul. Do you think it would be unsafe to the business interests of the country to provide by law that there should not be charged more for a short than for a long haul?

Mr. BRAINARD. As a general proposition, under the same circumstances, they ought not to charge more.

## WHEN A SHORT-HAUL LAW SHOULD NOT OPERATE.

The CHAIRMAN. You think there are cases where they ought to have the right to do that?

Mr. BRAINARD. Certainly I do. I will cite a case right in point. We have from Cairo to East Saint Louis, 150 miles, two railroads and a river. Now, the board of commissioners, under the law of this State, make reasonable maximum charges for these railroads and for the people on the line of these roads. Here is some trade going from Saint Louis to Cairo. As long as these people on these lines of roads are not charged an unreasonable price or tariff to move their property, what difference does it make if the property of others is carried for less than theirs? Take the lines of railroad from here to New York, and the water routes, and transportation through Canada, which come in competition. The railroads can bring cars here loaded from the East. They find return freight ready for them. They have to carry freight in the summer time in competition with these water routes. Still it pays them a profit—a slight profit, if you please; but it is presumed that railroads will not carry property for fun. They are carrying it all the time to make a profit. Now, as long as between this city and New York the roads are not charging unreasonable rates, what unjust discrimination is done if they carry this long haul from here to New York under those circumstances?

You propounded the question to Mr. Lewis, and to some others on the stand, with reference to a point a hundred miles east from here. Under certain circumstances I think the roads ought to be allowed to carry freight from here at less than from that point. As long as the shippers are not paying an unreasonable price, what harm is there in it?

Senator HARRIS. If you do that, do you not authorize by your acts the transportation of through freights at less than cost price, and further authorize the recouping on the local trade for the losses sustained on the through freight?

Mr. BRAINARD. I do not admit the proposition, Senator, that they carry this through freight for nothing, or for less than cost.

## ROADS COMPENSATED EVEN AT LOW FREIGHTS.

Senator HARRIS. You assume that the railroads always are compensated at least to the extent of the full cost of transporting the goods, even in these low through-freight rates?

Mr. BRAINARD. Certainly. I assume that, or they would not haul it.

Senator HARRIS. If they can carry the freight at less than the cost of transportation, or can make a small profit only on the through freights, what justification is there in the company picking up a car-load 100 miles east of this city, and charging more to transport that car-load from that point to New York than for transporting a similar car-load from Chicago to New York?

Mr. BRAINARD. I assume that they could not carry it as cheaply as they do unless they did have this through freight. Suppose they did not have this business. If a railroad did not have this through business from Chicago it could not carry that freight east of here as cheaply as it does now. The shippers avail themselves of the privilege of quick transportation, while the roads run twenty or forty trains a day. Their freights go right to the market, which would not be the case but for this through business. Some of our roads crossing the State run bu.

one or two trains a day. Certainly the longer the haul under one management the cheaper they can haul it.

Senator HARRIS. That being true does it justify charging a larger price for hauling half the distance over the same line of road, and going in the same direction, than for hauling the same freight over the whole line of road?

Mr. BRAINARD. That is a question of reasonable tariff, in making a figure. As has been stated by Senator Cullom, in this State our laws forbid that discrimination; and Mr. Lewis stated a case right in point where this State lost last year a business of half a million of dollars.

Senator HARRIS. That is due to the fact that Illinois has no jurisdiction beyond her own territorial limits.

Mr. BRAINARD. Yes.

#### THE GRAND TRUNK A DISTURBING ELEMENT.

Senator PLATT. This coal case was all within the State.

Mr. BRAINARD. Here is a point. Here is a water route at Chicago that comes in competition. As I understand it, it is not intended to regulate freight upon water routes. This is not practicable. Here we come in competition with a road in Canada, and you fall into trouble at once, if you undertake to supervise that. The thing has got to go at a market price. I have seen the time here when I have paid the value of one bushel of corn to carry another one to Buffalo.

The CHAIRMAN. And shipped by water, at that?

Mr. BRAINARD. By water. Twenty-one cents was the price of corn, and I have given twenty-one cents to carry that freight to Buffalo. Before we had so many railroads here we used to every spring, from fifteen to twenty-five years ago, pay 10 cents a bushel freight from here to Buffalo by lake, on wheat we will say.

Senator HARRIS. That would be nearly 20 cents a hundred pounds?

Mr. BRAINARD. Yes, sir.

The CHAIRMAN. You are not in favor, as I understand it, of any legislation that would by provision of the statute itself prevent pooling or prevent a transportation company from charging more for a short than a long haul?

Mr. BRAINARD. I think that ought to be governed by a commission.

The CHAIRMAN. You think it should be settled according to the judgment of the commission as to what was right in the premises?

Mr. BRAINARD. Yes, sir.

Senator PLATT. Charging more for a short than for a long haul might or might not be an unjust discrimination, according to your view?

Mr. BRAINARD. For instance, here is a railroad chartered from Saint Louis and going straight to New York. It would be practically unjust to them; but I forgot that that would come in competition with the river. But take it at some point where there is no water competition; then they should not charge more for a short than for a long haul, under the same circumstances. Of course this return freight has a good deal to do with it. We had a complaint before our commission last fall from Springfield; and it is the fact that they were carrying freight from New York to Springfield, and charging more than to Peoria and to Quincy, 100 miles farther on. Why was that? Of course we had no jurisdiction over it, but we inquired into the circumstances. The reason was this: In carrying merchandise to Springfield they switched off a car there, and the car would stand two or three days before it was un-

loaded. Then they had to haul that car several miles to get any return freight. At Peoria they could get return freight at once. They would take a car there and unload it from the East, and load up freight for the East.

The CHAIRMAN. What do they get at Peoria that they do not get at other towns?

Mr. BRAINARD. There is a headquarters there for corn. It is a regular market-place for corn and stock. One of the largest high-wine distilleries in the United States is there.

The CHAIRMAN. As a matter of fact, the conduct of transportation companies is a good deal a matter of arbitrary power on their part, is it not?

Mr. BRAINARD. At times it is.

The CHAIRMAN. I know of a case, to which I have referred before in this investigation, where a gentleman owns a farm on a branch of the Central Railroad, running from Springfield to Gilman, and owns another farm on the Ohio and Mississippi road, east of Springfield. He could sell his corn on the Gilman road, the branch of the Central, at 41 cents, when at the same time he could not sell his corn on the other road, 25 miles east of Springfield towards Baltimore, for more than 35 cents.

Mr. BRAINARD. He had two or three markets?

The CHAIRMAN. But the same man who owned a farm down on the Ohio and Mississippi road had at that point but one road, and he could not make an arrangement by which he could ship that corn at more than 35 cents. Is not that wrong?

Mr. BRAINARD. It probably is, according to your statement.

The CHAIRMAN. That is the literal truth. And one of the directors of the Ohio and Mississippi road said, when inquired of why it was, "This corn on the Central road, if we can get it down here on our road is that much made; this corn on our road is our meat anyhow."

Mr. BRAINARD. Yes, sir; they have the freight secure there. It cannot get away.

The CHAIRMAN. Does it not look as if there ought to be something done to prevent that?

Mr. BRAINARD. It ought to be regulated.

#### NATURAL AND ARTIFICIAL ADVANTAGES.

Senator PLATT. Do you suppose it is possible to equalize the advantages for business between different places by reason of any railroad transportation rates?

Mr. BRAINARD. I doubt very much whether it can be accomplished exactly.

Senator PLATT. Certain places had natural advantages before the railroads were built?

Mr. BRAINARD. Yes, sir.

Senator PLATT. Certain places, after the railroads were built, by reason of the building of those railroads have—you can scarcely call them natural, but we will say—artificial advantages.

Mr. BRAINARD. Manufactories, iron-works, freight, traffic. Mr. Lewis referred here to some difference of opinion in regard to the unit of freight.

#### THE UNIT OF TRANSPORTATION.

While we agree, as we did on our schedule of rates, that the car-load should be considered the unit of large quantities going in the same direction and at the same time, and so on, we have talked over this

matter of the shipment of merchandise—of what we call house freight for different points—and I maintain that by giving wholesale dealers, at Peoria we will say, a lower rate for a car-load, it enables them to make a profit on the freight itself over a small dealer in Peoria, or in a neighboring town. Here is a town adjoining Peoria. It is not large enough to run a wholesale business. This Peoria man, this wholesale dealer, is given a discrimination. You are certainly discriminating against this neighboring town. You are giving the profit of this difference between the grades of one class of goods. A class has two grades generally. Ordinarily, less than a car-load rate, we will say, is fourth class, and a car-load rate is fifth class. Whatever difference there is is given to that man over a retail dealer. He cannot go to Saint Louis and buy and compete with this man who has that advantage in the rate.

#### LIKE TREATMENT TO LARGE AND SMALL DEALERS.

Senator PLATT. If either of them ought to have a difference in the rate, which should it be?

Mr. BRAINARD. I have maintained that on such goods there should not be any difference.

Senator PLATT. The smaller dealer is as much entitled to low rates as the large dealer, is he not?

Mr. BRAINARD. Certainly. That is what I say, that the rates should be equalized between the two. Suppose one rate is third class for less than a car-load rate, and the car-load rate is fifth class. I would make all the goods fourth class to everybody. Here is a large dealer who has an advantage anyhow, in the fact that he buys his goods in large quantities. That is an advantage that he secures by the laws of trade and commerce. Here is a common carrier which comes in and gives him another profit. The consumer has to pay that extra profit, or a part of it, because the retailer, buying of the wholesale dealer and paying him this difference in freight, if nothing more, besides the usual profit to the wholesale dealer, has got to put that on to the consumer. That is the only point of difference that occurs between us in regard to the schedule of rates.

Senator PLATT. Suppose a different rate were to be made between 1 car-load shipment of grain and a shipment of 20 car-loads, and that the 20 car-load shipment got a lower rate of freight. Would not the direct result of that be to give the middleman too large a proportion of the profit of the grain business?

Mr. BRAINARD. Yes, it certainly would. I do not think there should be any difference made between a car-load rate and the 20 car-load rate; or, as has been cited here, two millers at the same point, one grinding 100 barrels a day and another 500 bushels a day, if you give the 500-barrel man a lower rate of freight in proportion to his business, what would certainly be the result? It would be only a question of days before the smaller one would dry up.

Senator PLATT. If the Government should encourage either the large or the small dealer in this country, would it not be better for our entire business system to build up the smaller dealers rather than the larger ones?

Mr. BRAINARD. Certainly, I should think so. Give them equal advantages so far as a common carrier is concerned.

Senator PLATT. What do you think on this subject of the centralization of business into the hands of a few? Is it going to be a good thing for this country in the long run?

Mr. BRAINARD. I do not think it is.



## RATES BASED ON ACTUAL COST OF ROAD.

Senator PLATT. You spoke in answer to the question of how the rates should be fixed, if they were to be fixed by law or by Government regulation, of the cost and the value of roads to be taken into consideration, among other things, in fixing those rates. What do you mean by value as distinguished from cost?

Mr. BRAINARD. Nothing. It is the same thing. Cost would be the better word to use than value.

Senator PLATT. Some of the roads are capitalized at two or three times their cost, are they not?

Mr. BRAINARD. I suppose they are.

Senator PLATT. Do you think that any consideration ought to be given to roads with reference to what may be called the watered stock of the roads? In other words, ought rates to be charged so as to earn a fair dividend on the cost of the road, or has it under the circumstances become necessary to make such rates as will earn, if possible, a fair dividend on the capitalization?

Mr. BRAINARD. I think they should make the rates based upon the actual cost of the road and the expense of hauling the freight, and not upon the capitalization or watered stock.

The CHAIRMAN. You do not think that ought to be taken into account at all?

Mr. BRAINARD. No, sir.

Senator PLATT. If the roads are in the hands of the people who over-capitalize them, there would certainly be a kind of retributive justice in that view; but they have largely passed out of those hands and have gone into the hands of innocent holders. Now, should persons who bought this watered stock be considered?

Mr. BRAINARD. I do not see how you can consider them. They bought a pig in a poke, and took their chances on it. If they paid too high a price they will have to stand the shrinkage, the same as is done on any other property that is bought. They placed too high a value on it.

## RATES NOT BASED ON WATERED STOCK.

Senator PLATT. Your idea is that they bought with their eyes open? We will take as an illustration the New York Central. I suppose it is safe to say that its capital has been increased more than double its actual cost, or the cost upon any fair basis. Its stock sold at 150, or thereabouts, at one time. The rates of freight are now such that the stock has gone down to perhaps 85. The stock at 85 probably represents more nearly the value of the road. Suppose we should have good times again, and the rate war should cease, and the roads should put up their freights to a point where they could pay a good dividend on their over-capitalization. Do you think the State or the Government ought to interfere and make those roads cut down those rates to a point where they could only pay dividends on what was the fair cost?

Mr. BRAINARD. My idea about that would be that the commission would make the rate, and base it upon the fair cost of the road.

Senator HARRIS. Should those rates exceed a fair and reasonable profit upon the actual cost?

Mr. BRAINARD. That would be the basis; that it should be a fair and reasonable profit. Or, as Mr. Lewis said, in making our maximum rates in this State we make two grades of roads, class A and class B. We tried the experiment here, first, of making five classes, but the competi-

tion, as you will see by the map of the roads, with the cross-roads has cut them down so that it was found not to be practicable to make five classes. We make class A and class B, and we make a greater schedule rate for one than for the other.

#### OVERCAPITALIZATION SHOULD BE PUNISHABLE.

Senator PLATT. Do you believe public sentiment has arrived at that point where we could pass laws to punish men for over-capitalizing railroads, and could enforce those penalties?

Mr. BRAINARD. I think it is fair to state that that is the sentiment of this State, so far as I have come in contact with it.

Senator PLATT. If we could do that, it would remedy some of those troubles, would it not?

Mr. BRAINARD. I think it would.

The CHAIRMAN. As I understand you, on this question of the right of transportation companies to charge, you think they should only be allowed to charge a reasonable compensation, which would enable them to earn a reasonable interest upon the actual investment in the roads?

Mr. BRAINARD. That is my idea.

The CHAIRMAN. Including the current running expenses, &c.?

Mr. BRAINARD. Yes, sir.

The CHAIRMAN. And without any reference to the question of how much over-capitalization has been going on, or of the issuance of additional blocks of stock?

Mr. BRAINARD. That is about my idea of it.

The CHAIRMAN. As Senator Platt said, it is a pretty important question, especially in the light of the fact that the Government has a good deal to do with the Union Pacific Railroad. We will have to meet the question very soon as to what is to be done with that road. It is capitalized at three or four times its cost, perhaps, and the question is whether we are going to carry it along in that shape, or whether the people will have the right to have it thrown off and the charges for freight and passengers based upon the actual cost.

#### A CASE OF OVERCHARGING.

Mr. BRAINARD. I will give you an item that came under my observation. A cousin of mine this spring chartered a car 12 miles north of this city for furniture to go to Omaha, for \$20. The Union Pacific Road charged him from Omaha to a place 130 miles west from Omaha \$55 for that same car. You can draw your own conclusions.

The CHAIRMAN. You do not believe, as I understand you, that it would be safe, and for the public interest, to pass a law that would absolutely prohibit transportation companies from pooling, or for charging more for a short than for a long haul, or from paying rebates, or did I understand you to say you were opposed to them?

Mr. BRAINARD. I am opposed to paying rebates under any circumstances.

The CHAIRMAN. You think it would be safe to have a provision of law of that kind?

Mr. BRAINARD. Certainly, as I said, it opens the door for unjust discrimination. The points you were asking about in regard to allowing discriminations—it is not unjust as long as men are not paying unreasonable rates. For instance, this car ought to have been hauled from Omaha 130 miles at least, based upon the cost of the road. Of course

from here to Council Bluffs there are three competing roads, and the shipper takes the advantage of that. Each one wants the freight. But from there 130 miles on the rates should not have been more than \$20, or, perhaps, \$25, because there is no return freight from that point.

The CHAIRMAN. That was on a stretch of road where there was no competition?

Mr. BRAINARD. No competition at all. There is where a commission could step in and say "This is an unreasonable rate," and make a reasonable maximum rate.

#### IMPORTANCE OF WATERWAYS.

The CHAIRMAN. What is your idea about the importance of the waterways of the country as a means of regulating transportation?

Mr. BRAINARD. They are certainly of immense advantage where they can be conducted economically. You asked a question in regard to the Illinois Canal. I was commissioner of that canal twelve years ago, for two terms; and I think it was in 1875 that I had occasion to answer some questions asked by a committee appointed by the legislature. I took pains to figure up the tonnage on the canal that had been carried since it was opened in 1848 down to 1875, and the price that corn or wheat or grain brought upon the canal in comparison with what it brought for the same distance from Mississippi on the railways. The total benefit that that canal had been to this State in twenty-seven years was \$180,000,000 saved to the people by reason of this canal of 96 miles in length and the river. Of course the Illinois River had more water in it than now, and there was a great deal of navigation on the river.

#### FORTY PER CENT. DECLINE IN FREIGHT RATES.

You asked the question of Mr. Lewis about the decline in freights in this city. I think during the last ten or twelve years they are probably 40 per cent. less than before.

The CHAIRMAN. What has been the cause of that?

Mr. BRAINARD. Competition, largely. Of course I do not ascribe it all to the railroad and warehouse commission; but they reduced the rates from what they were. Most all the roads used to charge 18 cents a bushel for wheat from the Mississippi River to this city, ten or fifteen years ago; and I think there is no trouble about getting it hauled for 7 or 8 cents a bushel now.

#### DECLINE AT COMPETING POINTS; NOT ELSEWHERE.

Senator HARRIS. Do you agree with Mr. Lewis in his statement that since the creation of your railroad commission in this State the railroad companies, as a general rule, have reduced their freights from competing points, but have charged fully up to the maximum rates allowed by the commission upon local traffic?

Mr. BRAINARD. As a rule, yes, sir.

The CHAIRMAN. I suppose the commission, in the estimating of rates, fixed them as high as they ought to in the light of what the railroads ought to make as a fair profit?

Mr. BRAINARD. We think so. They are lower in this State than in neighboring States.

The CHAIRMAN. The rates actually fixed by the commission, you mean, or the rates actually charged?

Mr. BRAINARD. Actually fixed by the commission.

The CHAIRMAN. They are lower than in the States around you?

Mr. BRAINARD. Yes, sir; I guess rates here average lower than in any State in the Union. That is my impression.

Senator HARRIS. What is your estimate of the reduction of local rates since the creation of your commission?

Mr. BRAINARD. By a rough guess, my impression is about 40 per cent.; from 40 to 50 per cent.

Senator HARRIS. Do you attribute that result chiefly or entirely to the existence and the action of your commission?

Mr. BRAINARD. Not wholly; to competition and to the commission, of course. We have regulated and evened it up, as it were.

Senator HARRIS. Have you any estimate as to the extent to which it is due to the action of the commission?

Mr. BRAINARD. On all non-competing points they have certainly brought the rates down to the price of competing points.

The CHAIRMAN. At non-competing points have not the railroads reduced rates without the commission compelling it?

#### RATES VOLUNTARILY REDUCED.

Mr. BRAINARD. Certainly they have. Occasionally the roads themselves ask it on some articles. West of here there are, I believe, twenty-two roads that form a joint western classification. They have a committee which has just met at Denver. They meet every three months, and they hear requests of certain roads for a change of the schedule, most generally in the line of a reduction; because it is an injury to a particular road to carry this freight at a less price. Hence they will discuss the question, and, if they adopt it, they formulate it.

#### COMMISSIONERS' SCHEDULE EVIDENCE OF REASONABLENESS.

We have done the same thing. For instance, we made the schedule rate on November 1, 1883, and since that time we have added four revisions of certain articles. We have kept up with the joint western classification. They have reduced, and so have we reduced. Once in a while we have rates lower than they have; but we have added right to it, of course. This schedule is used in a court of justice, as certified to. It is used there as evidence of reasonable maximum rates.

The CHAIRMAN. You revise from time to time, and the railroads also reduce?

Mr. BRAINARD. Certainly. The present commission is now at work on a reduction. We have revised the schedule four times, and it is about time a new schedule is printed; and they are now revising the freight schedule.

The CHAIRMAN. Do you, or not, think if that work of making a schedule was not delegated to a commission, but authority was delegated to a national tribunal to supervise the schedule made by the railroads themselves, that that would answer just as well?

Mr. BRAINARD. I presume it would. I believe the railroad commission of Minnesota exercises that supervisory power. That is, they decide whether the rates are reasonable or not. They look them over and decide the question. I presume it answers every purpose.

The CHAIRMAN. It was stated in Massachusetts by the commissioners there that the railroads make the schedules themselves, but that the commissioners examine them, and if they find any complaint of extortion or of unjust discrimination they look into it and act accordingly.

Mr. BRAINARD. And give their opinion upon it.

## ILLINOIS COMMISSION A PRACTICAL SUCCESS.

Senator PLATT. Your railroad and warehouse commissioners have undertaken in the State of Illinois, have they not, to classify every article which is likely to be transported on railroads, and to provide the rate which is to be paid for the transportation of such articles, according to the distance which it shall be carried?

Mr. BRAINARD. We set the maximum rate that they may charge. If they charge over that, and it is considered extortionate, it is then our duty to prosecute them and test the matter, of course, in a court of justice. I will say that railroads adopt our schedule uniformly.

Senator PLATT. The fixing of rates by the railroad commissioners has been a practical success, then, in the State of Illinois?

Mr. BRAINARD. Certainly, it has.

Senator PLATT. But it has not done away with all complaints, I suppose?

Mr. BRAINARD. Oh, no.

Senator PLATT. Do the people complain that the railroads charge more than the maximum rates?

Mr. BRAINARD. At times it happens so, perhaps through an error, or because they are new hands, or something of that kind, but it is seldom done.

Senator PLATT. So far as your experience goes, the railroads have not deliberately undertaken to charge more than they should?

Mr. BRAINARD. Wherever our attention has been called to these complaints, or wherever complaints have been made, upon our notifying the railroad company they have made restitution, in every instance, at once.

Senator PLATT. Having fixed rates in this way, what is the nature of the complaints of the people so far as it has reached the railroad commissioners?

## OCCASIONAL COMPLAINTS OF DISCRIMINATION.

Mr. BRAINARD. The nature of some of the complaints would be, charging less than those rates, for instance, and not charging them all alike.

Senator PLATT. Making discriminations?

Mr. BRAINARD. Yes, sir; that is it; making discriminations. Then would come in a complaint, and then we would examine into it, and of course it would be rectified, or there would be a prosecution.

Senator PLATT. What do you think on the whole has been the result of the railroad commission? Has it resulted in doing away with complaints in this State?

Mr. BRAINARD. I think it has, since the decision of the supreme court legalizing the laws of this State; or rather the right of the legislature to regulate rates of freight and fares in the manner in which it has been done. The railroads have uniformly acquiesced promptly.

Senator PLATT. Do you think any practical damage has come to the railroads of this State by their being obliged to submit to a schedule of rates prepared by the commission?

Mr. BRAINARD. I cannot see where there has been any damage.

Senator PLATT. Do you know of any other State where the railroad commission fixes rates?

Mr. BRAINARD. I believe there are none to my knowledge.

The CHAIRMAN. I think some Southern States also do it.

Mr. BRAINARD. I am not informed as to that.

Senator PLATT. Practically, then, in your judgment, you think giving power by the State to a railroad commission to fix rates has been a good thing?

Mr. BRAINARD. I think it has been.

Senator PLATT. At least that is the case so far as the State of Illinois is concerned?

Mr. BRAINARD. Yes, sir.

### PHILIP W. DATER'S STATEMENT.

PHILIP W. DATER, commission merchant, appeared.

The CHAIRMAN. What is your business?

Mr. DATER. I am a commission merchant on the Board of Trade, buying grain and shipping it.

The CHAIRMAN. In Chicago, I believe?

Mr. DATER. Yes, sir; I have been a member of the board twenty-five years.

The CHAIRMAN. Please go on now and state any complaints that you know of against transportation companies. Tell us what they are, and what you think about the general subject.

Mr. DATER. The most complaint I find is of discrimination in rates; and more particularly here in Chicago where my business is. My experience every day proves it.

The CHAIRMAN. What is the nature of that discrimination? Explain how it comes about.

### COMPLAINTS OF REBATES.

Mr. DATER. It is in the nature of rebates. For instance, I want to ship a hundred cars of corn east to New York, or Philadelphia, or Baltimore, or any other point. I ask the agent here the rate, and he gives me 20 cents. I say, "Is that the lowest rate, the lowest tariff?" He says, "Yes." "Upon your honor?" "Yes." Then I find that my neighbor is getting a 15-cent rate in the shape of a rebate. I have known of instances where they have had \$20,000 of rebates due them upon those rates from the tariff.

Senator PLATT. That is a very respectable profit.

Mr. DATER. Decidedly so. It is simply in effect letting one man steal another man's business. So far as I am concerned I do not care particularly what the rate is, if it is fair, and we are all treated alike.

The CHAIRMAN. And stable?

### A CONFISCATION OF BUSINESS.

Mr. DATER. And stable. If an African or a Chinaman can beat me he can take my place. But I want an equal chance with him. It is hard work to compete where these rebates are allowed, and continually allowed. It is simply a confiscation of our business. The Southern roads that go across the country south of us almost swamped us this last winter.

The CHAIRMAN. The cross-roads.

Mr. DATER. The cross-roads. Many of them, of course, were in the hands of receivers, or were bankrupt, and they wanted to get money enough to pay their hands, or something of that kind. At any rate they carried freight so that we were almost entirely shut up here for

several months. At the opening of navigation the competition of the lakes brought our business in a measure back to us again.

The CHAIRMAN. This discrimination that you speak of in the way of rebates is in shipping grain to the seaboard, I suppose?

Mr. DATER. Yes, sir; to the eastern points. What they call New York, and Boston, and Philadelphia points.

The CHAIRMAN. And Baltimore?

Mr. DATER. And Baltimore; and the vicinity of those places.

The CHAIRMAN. That practice is carried on by the railroads here in this city?

Mr. DATER. They have been at it for years.

#### PROHIBIT REBATES.

The CHAIRMAN. If that is so, would you say on the question of legislation, that it ought to be prohibited?

Mr. DATER. I should say so decidedly. We cannot all trot in 2:11; but every man ought to have the chance to trot.

Senator HARRIS. From your knowledge of those rebates, were they governed by the quantity shipped or by personal favoritism?

Mr. DATER. Probably both; but they say, "I will give you a rate if you will take 100 or 200 or 500 cars." My business might not warrant taking that number of cars. Consequently I am ruled out.

The CHAIRMAN. They made it conditional on the amount you were shipping?

Mr. DATER. Yes, sir.

The CHAIRMAN. Is that practice confined to shipments between here and the East, or do you think of any such dealings in a local way?

Mr. DATER. At those local points we very seldom can get anything but the tariff.

The CHAIRMAN. You mean so far as the State is concerned?

Mr. DATER. Yes, sir; unless it may be a competing point. At a competing point we sometimes get a reduction from the tariff.

The CHAIRMAN. Is there any other ground of complaint that you know of?

Mr. DATER. No, sir; I do not know of any. That is about the only thing that has caused me any trouble.

The CHAIRMAN. What is your idea of the kind of law that Congress ought to pass? Have you thought about that so as to have an opinion upon it?

#### LEGISLATION SHOULD LEAN TOWARD THE MASSES.

Mr. DATER. I have read your articles here, and I got staggered on the start. It is a pretty delicate business to regulate this interstate commerce. At the same time I believe that legislation should lean, if it leans at all, toward the masses. I believe the poor man, or the man in moderate circumstances, should have a fair show. He certainly pays the taxes, is the bone and sinew of the country, in my judgment, and should have a fair show.

The CHAIRMAN. From your experience as a business man, would you think it would be unsafe to the business interests of the country, including the railroads, to pass a law prohibiting extortion and unjust discrimination, and the payment of drawbacks and rebates, and requiring absolute publicity of rates?

Mr. DATER. I have always contended for this: As a common carrier.

receiving privileges and advantages, and as a chartered institution, after having published a tariff it should adhere to that tariff. It is immaterial to us here what the tariff is, if it is only fair and just, and if all are treated alike.

The CHAIRMAN. You appreciate the difference between a man in a private business, such as a commission merchant, and the man who has the charter of the Government giving special privileges?

Mr. DATER. Oh, certainly. So far as discrimination in the different States is concerned, one road may have an advantage. One may have a large local trade and have a great many stations, and the local trade may support it. Another line may be sparsely settled. It is hard to tell the road that is running through an unsettled country and is developing it that it shall carry freight on less than a fair basis of cost. I do not ask them to carry my property at less than cost. But if they have watered the stock they must look out for that. They must not expect me to pay dividends on watered stock. It should be on a fair valuation of property.

The CHAIRMAN. Suppose you take a railroad that to-day is worth \$50,000,000, at the present price of property. Two years from now it may be worth \$100,000,000. What would be the basis on which you would allow that road to charge for the transportation of your property?

Mr. DATER. My opinion is, that it is going to be very difficult to say what they should charge. There is going to be the pinch. I think if you could prevent discrimination and extortion, that is as far as you can go. Supply and demand will regulate this business and its profits. It is pretty hard for the Government to come in and say the road shall take this freight at less than cost or at more than cost. Only let every man be treated alike. If you can establish that by the appointment of a commission by the National Government I think in a large measure you will overcome the difficulties under which we have been laboring.

#### EQUALITY TO ALL BY MEANS OF COMMISSION.

The CHAIRMAN. You think that some general act, with some power put into the hands of a commission, would be safer than to undertake to legislate on all these points specifically?

Mr. DATER. Yes, sir; if you will allow me, I think it will be safer if the National Government will appoint a commissioner in each State and give him the power to see that these discriminations are stopped, and that every man is treated equally with every other. A merchant, of course, in buying large amounts of goods can beat a small man, but I do not think the railroads should subsidize him, nor do I believe the stockholders' money should go to subsidize him.

#### HOLLAND M. RICHMOND'S STATEMENT.

HOLLAND M. RICHMOND, dealer in real estate, appeared.

The CHAIRMAN. What is your business?

Mr. RICHMOND. At present I am somewhat interested in real estate. Formerly I was in the transportation business, both on the lakes and with railroads. I represented the New York Central Railroad some years ago.

The CHAIRMAN. You have been paying some attention to this question?



Mr. RICHMOND. Very much since I first heard of the interstate commission talked about in Congress. I have watched it very anxiously.

The CHAIRMAN. Will you go on now and give us your views in your own way on this subject?

#### PROTECTION TO THE MAN WHO HOES CORN.

Mr. RICHMOND. In taking a glance at a country like this, as well covered as it is with railroads, it seems a pretty formidable interest to take hold of. While I do not know of any other way by which to regulate these things, except by just such a commission as was talked of in Congress, it seems to me that, as these gentlemen have stated, there are discriminations, and unjust discriminations, and there are many things which should be rectified in the passenger department. It seems to me the passenger rates need regulating. From the very fact that railroads are in competition here, and are running each other very often, a necessity is shown on their part that something should be done. It is just as wholesome for them to have a railroad commission as for the people. Of course, back of all our board of trade dealers, and of all the railroad men who sit behind, is the public interest—the man hoeing corn. They are the people who need protection more than any others, as they are the hardest workers and the first hands to lift something out of the earth for the railroads to carry.

The CHAIRMAN. You say you have been formerly engaged in the transportation business?

Mr. RICHMOND. Yes, sir.

The CHAIRMAN. Are you advised as to whether in fact there are unjust discriminations and extortions being practiced now upon the people?

Mr. RICHMOND. Not upon myself, in any business that I am engaged in at present; but in a general way I hear of complaints and see them published in the papers, and read of them, and know to some extent the sentiment of the people outside of those who are particularly interested in the carrying trade at present.

#### A COMMISSION RECOMMENDED.

The CHAIRMAN. You say there ought to be a commission. What sort of a commission ought it to be?

Mr. RICHMOND. I think such a commission as was talked about by Senator Cullom. I should like the bill that was introduced by him, and the suggestions as to a commission, and the size of it. Perhaps, as a gentleman said before, if a commissioner for each State was appointed it would be a wholesome idea. He would be acquainted with the railroads and with the usages in the State that he represented. But I think the last suggestion of yours was for a commission of nine, one for each judicial circuit. I thought that was a good suggestion.

The CHAIRMAN. That commission was to be given a sort of quasi power of arbitration. From your knowledge of the subject would it not be safe to prohibit pooling, or would you think it best to leave that to the discretion of the commission? You understand the pooling system among railroads?

#### THE COMMISSION SHOULD REGULATE POOLS.

Mr. RICHMOND. Yes, sir; I understand it. I should think that if a commission had fully investigated it and found the weak points, and had satisfied itself as to whether the railroads were doing these things,

and that this pooling was actually injuring the interest of the public at large, the commission should have power to limit it or stop it entirely.

The CHAIRMAN. What would you think about a provision of law prohibiting rebates and drawbacks?

Mr. RICHMOND. I should think all those things would be wholesome. I do not think there is any danger in putting this thing into the hands of honorable, straightforward men.

The CHAIRMAN. Would you put it into the law itself?

Mr. RICHMOND. I would have the law right back of the commissioners; I would have the commissioners represent the law.

#### PROHIBIT REBATES AND DRAWBACKS.

The CHAIRMAN. Would you or not say by law that rebates and drawbacks should be prohibited?

Mr. RICHMOND. I should say that by law.

The CHAIRMAN. You would not leave it to the discretion of the commission, then?

Mr. RICHMOND. I would not leave it to the discretion of the commission, but I would give them the power to exercise and enforce the law.

The CHAIRMAN. What do you think about this question of long and short haul?

#### "EQUALITY OF RATES" THE KEY-NOTE.

Mr. RICHMOND. I think, as far as possible, all discrimination ought to be done away with. I think all men should be treated fairly. Equality of rates, it seems to me, is the grandest thing in all respects we can talk about in this country. When we can strike that key-note there cannot be any damage done to anybody. The railroad would be just as much protected as the citizen.

#### THE PASS SYSTEM A TERRIBLE ABUSE.

In a general way, I think through the blue lines and red lines, and through this abused system of passes, &c., a large burden is thrown upon the people. I think the pass system has grown to be a terrible abuse, and if it could be prevented I believe the railroads, or at least some of them, would be glad to have help in that matter. It has grown to be such an extravagance now that I believe they do not know how to get rid of it themselves. I presume 20 or 25 per cent. of the people are traveling on passes, and the balance of them are paying for it. That is a discrimination.

The CHAIRMAN. Do you suppose there is that proportion traveling on passes?

Mr. RICHMOND. When I have been aboard the cars I have often asked the conductor in the palace cars, if I have been acquainted with him, how many people were traveling on passes; and often he has told me that of 30 or 40 there were not more than 5 or 10 people who paid their fares. I know that it has got to be so common a thing now that a railroad man told me to-day he could go into any of these scalpers' places and buy passes. Men that had passes given to them would go there and raise money on them. It is as badly abused as that. I do not think we have an alderman or any man connected in any way with the city, whether he be clerk or whoever he is, who cannot get a pass to travel.

Senator HARRIS. Do railroads issue general passes?

Mr. RICHMOND. They do to officers—yearly passes.

Senator HARRIS. Do they not always issue passes to individuals by name?

Mr. RICHMOND. Yes, sir.

Sénator HARRIS. And not transferable?

Mr. RICHMOND. They do that; but the conductors, I think, never pay much attention to that, if a man has a pass. I do not think as a general thing they pay any attention to it, although they have the right to take up that pass and collect fare if it is offered by any other person than the one to whom it is issued. But, as I was saying, it is a common expression here of men acquainted with the aldermen that they can get them to get passes; and I guess Mackin and Gallagher, and all that class of men, are traveling on passes as much as a railroad president. I only speak of this to show to what extent this railroad passenger business is abused by the pass system, and of the fact, further, that some portion of the people are paying 3 cents a mile in this State for traveling. The New York Central has carried, ever since she had a charter, for 2 cents, even when she was not doing near the business of these roads. I think Saint Paul and the Northwestern are carrying more passengers to-day than the New York Central did when she was piling up her millions, becoming, as of course she did, the largest corporation of the kind in this country. Of course we know that Mr. Vanderbilt and Mr. Mitchell have not been doing a losing business. I think the roads have all paid their dividends, and that none of them have lost their dividends. Now you can buy tickets for a cent a mile from here to New York. A man connected with the railroads to-day said to me that they are selling a second-class ticket from here to New York for \$11; and they will give you a card with it saying that this gentleman is entitled to a first-class passage.

#### HOW SCALPERS PROCURE TICKETS.

Senator PLATT. Are you able to give the committee any information as to how these offices, such as you call scalpers, sell tickets at a less rate than the company advertises and sells them for at its office?

Mr. RICHMOND. Of course they are allowed a commission to a certain extent; I do not know what that commission is, but they have a great many tickets sold to them; tickets are for sale from here to California and return for \$117. A passenger goes out to California and sells the return part of that ticket if he is going to stay there. You can go from here to Buffalo all the season through on an excursion ticket for a little over half fare. A man buys such a ticket, and sells the return part; then there are 1,000-mile tickets for sale in this city; a man can use five or six hundred miles of that ticket, and sell the balance to the scalpers, and the scalpers sell them.

Senator PLATT. But these scalpers are not countenanced by the companies, are they?

Mr. RICHMOND. No; the companies discountenance and discourage them as far as they can, but they are not able to control it entirely, because if a man buys a ticket such as I have described he has a right to sell it to whoever he chooses.

#### SCALPERS OCCASIONALLY USED BY RAILROAD COMPANIES.

Senator PLATT. The companies do not make use of them to carry on their wars against each other, you think?

Mr. RICHMOND. I would not be prepared to state to what extent they do that, or whether or not they do it; I was requested a few years ago by a railroad man to go and see what I could buy a ticket for over another

line; I did so; he had word that this line would sell a ticket at a lower rate than the line of which he was a passenger agent; I found this road was cutting rates in that way, and that the scalpers had tickets in their hands.

Senator HARRIS. You think in some instances the scalper is used as an agent by the railroad company?

Mr. RICHMOND. I do, in some instances. I think the railroads once in a while, when they get ready to cut, get their tickets into the hands of the scalpers as soon as they can.

Senator HARRIS. The ticket agent at the office will sell at one rate and the scalper will sell at another rate on the street?

Mr. RICHMOND. Yes, sir; you can get a small rebate on the street at almost any time; I presume the scalper gets the ticket at the office. It may be a rebate or commission that is allowed them where they take a certain number of tickets; but it is no trouble, most of the time, to step in and get a \$9 ticket over the Michigan Southern to Cleveland, when the regular fare is \$10 at their office.

#### FIX RATES WHICH WILL PAY FAIR DIVIDENDS.

It is a pretty serious thing, if it is a fact, for railroads at any time to charge 5 cents a bushel, we will say, more for grain from the State of Iowa to the sea-board or to tide-water than they can afford to carry it for. It is a pretty serious thing to reach into the pockets of the Western farmer and take 5 cents from him. They would not stand such a state of things a great while from the Government. I do not know of any way to rectify it, except for people to find out the actual money that is invested in the roads, and set down a figure that would give fair dividend on such money as was actually invested, and state what rate they can carry freight for to enable them to pay such a dividend. I do not see that the general public and the laboring population that is tilling our farms owe them anything more than that.

Senator HARRIS. With all of that ascertained, it would depend upon the amount of freight and the number of passengers they carry in the course of a year, would it not?

Mr. RICHMOND. Yes, sir. Of course some seasons are duller than others, and there would have to be a general average. I do not suppose, in regulating such things, that a commission could do it much better than by taking a term of three or five years. I should judge they would perhaps have to regulate for a term like that before they could make any changes. Of course in a growing country the roads would have the advantage of the growth of the country during that term.

The committee then adjourned to 10 o'clock a. m., June 13, 1885.

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CHICAGO, ILL., *June 13, 1885.*

#### WILLIAM K. ACKERMAN'S STATEMENT.

WILLIAM K. ACKERMAN (formerly president of the Illinois Central Railroad Company) appeared.

The CHAIRMAN. You were here yesterday, and, I suppose, understand the general scope and purpose of our investigation. Please go on and state your views in your own way.

**Mr. ACKERMAN.** As you are probably aware, I am not now actively engaged in railroads, occupying merely an advisory position with one of our larger roads; therefore I can judge, perhaps, more impartially in reference to the merits of the subject; and my work must be considered a labor of love.

**The CHAIRMAN.** For the people or for the railroads, or for the country generally?

#### OBJECT OF APPOINTING COMMISSION.

**Mr. ACKERMAN.** I think, if I speak for the railroads, I shall speak for both. I would like first to give what to my mind appears to be the real object of appointing a governmental commission. I think that commission should be a bureau of statistics; that it should gather from the different railroad commissions of the different States annually the information that those commissions cull, and that it should collate that information in some concise form and give it to the world.

My attention was particularly directed to the importance of this on reading a few days since a work which I understand is published by the Belgian Government, regarding the conditions and operations of the roads of that country. I think this board should be constituted as a supervising and advisory board, and that they should co-operate with the different State commissioners, directing them and guiding them as well as they can—as they will be able to do after a few years' experience—and also co-operating directly with the railroad managers themselves. As time goes on and as they gain experience the scope of their duties will gradually widen, and they will be enabled to understand their duties better, and in what particular line they should direct their energies.

#### IMPOSSIBILITY OF FIXING RATES.

I would regard it as an impossibility for the United States commission to fix rates for the different railroads. I do not see how it would be possible for a board even of nine members, sitting in Washington (which, I suppose, would be their headquarters), to undertake to establish a tariff for every railroad in the United States. To do that they would have to understand the topography of the country, and would really need to understand the condition of every mile of road. There are miles of railway in the country where 10 cents a ton a mile would only be a fair rate.

**Senator HARRIS.** Of course their powers in that particular would be limited to railroads doing interstate business.

**Mr. ACKERMAN.** Yes, sir; that is true; but all of our railroads are gradually becoming interstate roads. A road that depends entirely upon mere local traffic within a State would not prove very profitable. At least, that has been the experience in the past with roads which have operated in small sections of a State.

**Senator PLATT.** I suppose, too, almost every road, although local in its character, does to a greater or less extent give bills of lading which extend beyond the limits of the State?

**Mr. ACKERMAN.** Yes, sir; even though the line itself does not extend beyond the State limits. It is a very common practice for railroads to deal with each other in that line.

#### EFFECTS OF EARLY HASTY LEGISLATION.

In Illinois we are to-day, I think, suffering from early hasty legislation. I think the first board of railroad commissioners that was ap-

pointed in this State was composed of men of inexperience, who committed a great many very serious blunders. They had zeal without knowledge. There was a clamor on behalf of what is known as the grangers in this State to reduce rates, and the commission did reduce them very seriously, in some instances below the point, I think, of cost of operation. In after years the boards that were appointed took a more serious and candid view of affairs, and dealt more kindly with the railways. But the trouble was that the mischief was already done. It is a very easy matter to lower rates, but I have always found in my experience that it is an exceedingly difficult matter to raise them.

#### FREE TRADE IN RAILROAD BUILDING INJURIOUS.

Above all the evils that we are suffering in this State to-day, and in truth I suppose that is so in a good many of the States, is that of over-construction of railways. We are suffering from free trade in railroad building. It occurred to me, in again reading Senator Cullom's bill this morning, that that matter would probably come within the duties of the commissioners; that they would have the power to limit the construction of railroads and to decide, either for the States or for the companies, as to the necessity of the construction of any certain road.

The CHAIRMAN. On that point of limiting the construction of roads by the National Government, suppose Illinois, for instance, wanted to charter a railroad within its limits to run from one point to another; the General Government could not interfere, could it?

Mr. ACKERMAN. No, sir; I suppose not as a government; but this board of commissioners in Washington could use its influence with the State commissioners, and laws could gradually be passed in the different States restricting the construction of roads.

The CHAIRMAN. You think the control of that question would be a work of gradual influence, do you?

#### RAILROAD CONSTRUCTION SHOULD BE REGULATED.

Mr. ACKERMAN. Yes, sir; within the States.

The CHAIRMAN. By the National Government directly, or by a national commission, or otherwise?

Mr. ACKERMAN. Yes, sir; rather under their direction. In some of the earlier charters of the State of Illinois there were clauses regulating the construction of the roads, providing that no railroads should be built within a certain number of miles of such and such a road.

Senator HARRIS. No parallel lines?

Mr. ACKERMAN. No parallel lines should be built within a certain number of miles. Perhaps you will remember, Senator Cullom, that that was in the charter of the old Central road. I think it was required that no railroad should be built within 50 miles, and that the Central road should run through the center of the State.

Senator PLATT. The Central road has always had to pay a tax to the State, has it not?

Mr. ACKERMAN. Yes, sir.

Senator PLATT. Are there any other railroads in Illinois that were chartered on those conditions?

Mr. ACKERMAN. Not on the same basis; no, sir. The Illinois Central is the only land-grant road in the State of Illinois.

## LEGALIZATION OF POOLS.

A few words in regard to pools. I quite agree with Mr. Field in regard to that matter. I think they should be legalized; and I would favor a pooling law in each State. If they have been declared illegal, as I understand they have in some States, then I should legalize them. I would have passed in each State a pooling law, and I would make those pools uniform in terms. I would not give one State an advantage over another.

Senator HARRIS. Pooling as a general rule applies to interstate commerce, does it not? That is, to through transportation that begins in one State and ends in another.

Mr. ACKERMAN. No, sir; there are local pools all over the State of Illinois to-day.

Senator HARRIS. For the regulation of local traffic as well as through traffic?

Mr. ACKERMAN. Yes, sir.

The CHAIRMAN. I presume you are familiar with the whole subject and with the operation and extent of it throughout the country. Suppose you give to us as fully as you can a history of the existence of pools, where they are, what they are, and how they operate.

## DEFINITION OF A POOL.

Mr. ACKERMAN. The particular kind of pool that Senator Harris refers to is what is known perhaps as the trunk-line pool, where the different trunk lines form a combination to maintain rates. But there are in this State, and I suppose in every State, a number of local pools. Wherever one line crosses another, in short, there is a pool. Take the Illinois Central road, for instance. It is crossed in this State alone, I think, about forty times. They have endeavored, or did endeavor when I was with them, to establish at those different junction points, as they are termed, a local pool, in order that each road might get its fair share of the business at that station. I do not know that any better explanation can be given of the word "pool" than that it is simply an effort to maintain rates and to distribute the business between two or more lines.

Senator HARRIS. I would be glad to have you give in detail the operations of a pool at these crossings and to state exactly what is its object.

## OBJECT OF LOCAL POOLS.

Mr. ACKERMAN. The way that matter is arranged is this: Take, for instance, Mattoon, in this State, 170 miles south of Chicago. The Central road there is crossed by the Indianapolis and Saint Louis road, running east. At certain seasons of the year grain would leave Mattoon to go east, while the Central road would, perhaps, claim a portion of it for Chicago, that being as good a shipping point certainly as Toledo. The managers simply get together and agree among themselves that they will divide the business of that station, and that if one carries more than the other they will equalize it at the end of each month. They know about how much business is carried. The books of the two companies would show the amount of business taken out of that station every month.

Senator HARRIS. They would equalize it by paying the difference in cash?

Mr. ACKERMAN. One would pay the difference to the other in cash. In that way both would maintain a fair rate, not an extortionate rate.

#### A MONEY POOL.

Senator PLATT. That would be a money pool?

Mr. ACKERMAN. Yes, sir; a money pool.

Senator PLATT. Does that affect the business which comes from the west through Mattoon?

Mr. ACKERMAN. No, sir. I am talking now particularly of the station pool. It would only apply to that station. The general business from the west would enter into what might be called a trunk-line pool. That would be arranged at some other point.

The CHAIRMAN. Suppose you give us the extent of the pooling system as carried on in this city. How many pools are there, and what field do they control?

Mr. ACKERMAN. That would bring in another pretty wide field and perhaps rather dangerous ground for me to tread upon. I understand Mr. Bogue is to appear before this committee. He has been acting as arbitrator for these various pools west, and I think the information he would give you would be very much better than anything I could say and would save time. Therefore, if you will excuse me, I would prefer that somebody else would give you that information.

#### EXTORTION UNKNOWN TO-DAY.

Referring now to the circular of the 6th of April, which states what this inquiry will involve, the first question is as to the best method of preventing the practice of extortion and unjust discrimination. So far as my observation goes, I do not think there is such a thing existing to-day as extortion.

Senator PLATT. You speak from your own standpoint here, I suppose?

Mr. ACKERMAN. I speak generally upon the subject.

Senator PLATT. It is claimed in some of the Western States and Territories that extortion is practiced.

#### COMPLAINTS DUE TO UNFAIR COMPARISONS.

Mr. ACKERMAN. People put a different meaning upon the same word. A man living in the far West and paying to-day 2 or 3 cents per ton per mile, and comparing that to the present low trunk-line rates between Chicago and New York, which have fallen, in some instances, to 3 mills per ton per mile, which is very much below the cost of doing the business, would naturally suppose that he was being imposed upon. Yet, when you come to compare the two, you would find that the 3-cent rate was not too high, but that the other was very much too low. It is, perhaps, his misfortune that he does not live in Chicago or do business in New York.

Senator PLATT. But it is his good fortune that he has a railroad at all?

Mr. ACKERMAN. Yes, sir. Instead of finding fault and comparing the 3-cent rate with the 3-mill rate, he should take consolation in the fact that he had a railway, and should remember the time when he paid several cents a hundred for carrying his freight over a mule's back.



The CHAIRMAN. You say there is no such thing now existing as extortion?

Mr. ACKERMAN. No, sir; I verily believe that there is no such thing practiced to-day as open extortion.

The CHAIRMAN. Your reason for that statement is that in some places they carry at too low a rate, and therefore, comparatively, some people who are not paying, as you think, too much, may think on that account that extortion is practiced upon them?

Mr. ACKERMAN. Yes, sir; that they judge by comparison.

#### FREIGHT CARRIED AT LESS THAN COST.

The CHAIRMAN. As a matter of fact, from your experience in rail-roading, are the railroads carrying freight at less than cost?

Mr. ACKERMAN. Yes, sir; I think all the lines running out of Chicago to-day are carrying what is known as fourth-class freight at below the actual cost of doing the business.

The CHAIRMAN. What do you mean by "actual cost;" do you mean the cost simply of transporting it?

Mr. ACKERMAN. Yes, sir.

The CHAIRMAN. Taking the cost of running the trains simply?

Mr. ACKERMAN. Yes, sir; I mean the cost of transporting and the incidental expenses attending the transportation.

The CHAIRMAN. And that does not involve the question of paying interest on the debt or anything of that sort?

Mr. ACKERMAN. Leaving that entirely out, I think these trunk-line roads are doing that kind of business which will eventually lead them into very serious trouble.

Senator PLATT. How many cars compose a fair train-load of grain from here to New York?

Mr. ACKERMAN. That would depend upon the topography of the country, somewhat. The New York Central can take on its level tracks from 35 to 40 cars.

Senator PLATT. Do you mean if 35 cars of grain are loaded in Chicago for New York at the present actual carrying rates, that the expense of that particular train, carrying nothing but grain from Chicago to New York, exceeds the amount which the road receives for doing the work?

#### A MINIMUM RATE DESIRED.

Mr. ACKERMAN. Yes, sir; I believe it exceeds 3 mills per ton per mile. There is this fact to be borne in mind with respect to all these rates that you read of, that when that produce gets to New York there is there a terminal charge which has to be deducted from the through rate before it is prorated over the roads upon which the produce was carried. For instance, an 11-cent rate to-day would be equivalent to about 8½ cents.

The CHAIRMAN. For the hauling?

Mr. ACKERMAN. For the hauling; yes, sir. I think there is no better evidence of the truth of what I assert than the fact that some of the lines are falling off so gradually in their net revenue as to be unable to pay dividends, and even to jeopardize the interest on their funded debt. If this commission will establish a minimum rate below which no rate could go, and will make it a finable offense to go below that point, it would confer a great blessing on the roads and on the country.

Senator PLATT. You think stable and fair rates would be better for the entire country than abnormally low rates?

Mr. ACKERMAN. Infinitely better for the prosperity of the entire country.

#### DISCRIMINATIONS.

In regard to the matter of discrimination, I suppose it is true that the evidence seems to point to the idea that there have been, in some instances, acts of discrimination. But, from all that we can gather now, I think the day for that has passed. The railroad managers of this country are a pretty sensible set of men. They are just as quick to discover an inherent fault or a folly as any one outside. Wherever it has been possible they have checked anything like discrimination. But taking up this matter that was referred to yesterday, of the amount paid to the Standard Oil Company, about which so much has been said in New York, at first sight it would seem to be a very great wrong. Yet, when you consider the immense amount of freight that was given by that company to the different railways, it would seem that they were entitled to some extra consideration. That was, no doubt, the view the managers took of it in the first instance, although it grew to be a great evil and practically got beyond their control.

The CHAIRMAN. And practically it drove out of business a great many other men, did it not?

Mr. ACKERMAN. I suppose it did really work an injury to other firms in the same line of business.

#### CONCESSIONS TO LARGE SHIPPERS APPROVED.

Senator HARRIS. Do you think greater concessions should be made to the large shippers than to the small ones?

Mr. ACKERMAN. Yes, sir; I do. I think it is just like everything else in commercial life. A man who buys a large quantity of goods gets them cheaper than the man who buys a small quantity. Transportation is a thing that is sold, practically, by the railway company. If a shipper comes to the road and says, "I can ship 25 car-loads a day for five or six consecutive days," the railroad company can afford to give him a lower rate than it can give to the man who can ship 1 car-load only, because it can take those twenty-five cars, or whatever the number may be, and put an engine before them and send them out, knowing just what to depend upon. The terminal expenses are less, and so are all the various details of expenses that enter into loading and unloading.

Senator HARRIS. Can you take one hundred cars for one man over the same line of road, from the same point to the same point, cheaper than you can ship another hundred cars for one hundred different men?

Mr. ACKERMAN. Yes, sir; without a shadow of doubt.

#### REASONS FOR SUCH CONCESSIONS.

Senator HARRIS. Will you explain why?

Mr. ACKERMAN. I can. For instance, here in Chicago, on the north side, is a man by the name of Kirk, who is manufacturing soaps. That man will agree to ship with any railroad company twenty-five car-loads a day for several days. As I said before, the traffic manager understands just what he has to rely upon. He sends over to Mr. Kirk's factory twenty-five empty cars, and they are loaded there by Mr. Kirk's

men. When he notifies the company that the train-load is ready the company simply sends an engine over, hauls these cars to Kansas City or to Council Bluffs, or to wherever they are to go. It is little trouble to the railroad company. There is no anxiety as to the character or class of freight. It is a certainty they have to rely upon. The man who ships 1 car-load sends his stuff to the freight depot by teams, and it has to be unloaded by the men of the railway company. Of course that takes more time, occupies more of valuable space, and adds in every possible way to the expense. I never could see the reasonableness in any shipper expecting one car-load to be taken at the same rate as 100 or 200 car-loads are taken.

#### SHOULD LAWS OF TRADE APPLY TO RAILROADS.

Senator PLATT. Do you think the laws of trade should be rigidly applied to railroad corporations, which are supposed to be, in some sense, the agents or creatures of the Government? Should they have the same freedom of trade that persons have who are engaged in private business? Are they not, to some extent, limited by the fact that they exercise a governmental power and privilege?

Mr. ACKERMAN. I have never considered the question of transportation as an item of commerce, in the strict sense of the word. I think every railroad company is a law unto itself. Every intelligent manager understands that he cannot violate a law, or what might be called the laws of trade. He has to conform from day to day to them, and be governed by passing events and circumstances.

Senator PLATT. To illustrate: if a private corporation could carry the mails of this country, they might, if they chose, and perhaps without great criticism, give a less rate of postage to a man who had a thousand letters a day than to a man who had only one letter a day; but the Government cannot do that without creating great dissatisfaction, and without destroying, to a certain extent, the equality of rights of each individual.

Mr. ACKERMAN. I think that is hardly a supposable case; it is not a matter which the railroad companies would care to enter into.

Senator PLATT. Is it not the fact that those companies who were engaged in carrying letters, like Wells, Fargo & Co. did, make concessions to people who had large business dealings with them as to the rates at which they would carry letters?

Mr. ACKERMAN. I cannot answer as to that; but I know that Wells, Fargo & Co's. rates of postage were, as a general thing, larger than Government rates. I remember well, when I was in California some years ago, seeing their stamps there, and making some inquiries on the subject, and I found that they were charging higher rates than the Government postage.

#### THE COMMON CARRIER A PUBLIC FUNCTIONARY.

Senator PLATT. I was trying to get at your idea whether the principle which applies to private business does exactly apply to railroad corporations, owing to the fact that they are in some sense the creatures of the Government, and that they exercise governmental powers and functions.

Mr. ACKERMAN. I think that, so far as the question of commercial honor is concerned, it does.

Senator HARRIS. Do you not recognize the fact that the common car-

rier is a public functionary, and that in that respect it differs from the private merchant or the manufacturer or the individual engaged in any vocation in private life?

Mr. ACKERMAN. Yes, sir; there is no doubt about that.

Senator PLATT. We pass all our laws with reference to common carriers upon the theory that they are amenable to Government control. We could not pass any laws as to how Mr. Field should carry on his business. That is to be left to the laws of trade and the common sense of the community.

#### EVERY ROAD A LAW UNTO ITSELF.

Mr. ACKERMAN. I think that the railroad companies throughout the country generally recognize that fact. In fact, the decisions of our court establish the principle that they are simply common carriers; that they are the servants of the people. Yet they are governed so much by every changing circumstance that they must at times almost per force violate some known law. A State may pass a law establishing rates, and requiring that a road shall not carry for a longer distance at a less rate than for a short distance, yet that would be asking an impossibility of that road. It would practically destroy its business. As an illustration of that, and I only mention it because I am more familiar with it, take the Central Railroad of this State. It is crossed between here and Cairo, in the extreme southern part of the State, perhaps twenty times. The rate at any station, for instance, 150 miles south of Chicago, would be 10 cents to Chicago. The rate for a station 45 miles or 50 miles away might be 10 cents. The railroad company claims that the 10-cent rate for the 50-mile haul is only a fair rate, while the 10-cent rate for the 150-mile haul is an unfair rate. But the road is governed by circumstances. If it does not take that business for 10 cents to Chicago the business will go out of the State, crossing the State to Toledo or to some other point.

#### LONG AND SHORT HAUL.

Senator HARRIS. You are referring now to a proportionate rate—the same rate per mile?

Mr. ACKERMAN. Yes, sir. I would like to ask any gentleman how he would manage such a thing. The law says you must not take business for 150 miles for less than you take it for 50 miles. That means the destruction of railroads.

Senator HARRIS. You mean your law provides that you shall not take freight 150 miles, or less than 150 miles, for a lower rate per mile—

Mr. ACKERMAN. Well, for a lower rate. You may call it per mile; but for a lower rate.

Senator HARRIS. The distinction I am trying to get at is this: Take your illustration of a point 150 miles off, and another point 50 miles off. Of course if it is the same rate per mile, the 50-mile station would only have to pay one-third the rate paid by the station 150 miles off.

Mr. ACKERMAN. It would not be per mile, but for the whole distance.

Senator HARRIS. Ten cents being the rate for 150 miles, would there be any injustice or impropriety in saying that you shall not charge for 50 miles more than the 10 cents that you charge for the 150 miles?

Mr. ACKERMAN. Yes, sir; because the 10-cent rate for the 50 miles would be considered just about the fair rate, while the 10-cent rate for the 150 miles would be too low. There would be no profit in it, and it could only be taken under certain circumstances. A train of empty

cars passing in that direction, for instance, could afford to put that freight in and carry it at perhaps a less rate than for the other party's freight, which was only going 50 miles. There is another very important factor.

Senator HARRIS. Do you think the common carrier should be permitted to charge more than a fair rate for the 50-mile haul because he was voluntarily carrying freight 150 miles for less than a fair rate?

Mr. ACKERMAN. I do not think the question of fairness, in one sense, comes into it. I think if a railroad manager publishes a tariff for 50 miles, which would be only a fair rate, he should be allowed to charge that; and that afterwards, if circumstances compelled him to haul a longer distance at the same rate, he should be allowed to do it; in other words, he should be the judge of the necessity or the propriety of doing business in that way.

#### TERMINAL CHARGES AS AFFECTING RATES.

Perhaps I may as well say right here what I had to say in regard to the short and long haul. There has been very much said upon the subject. At first sight, to any one not familiar with the subject, it would seem to be very unfair to charge a person more for hauling, say, 25 miles than for hauling 50 or 150 miles. The important element that enters into all this business is the terminal expense. Railway managers in this country have, I think, come gradually to understand that subject better than they did. In these various discussions, and in reading over testimony taken by your committee East, it appeared to me that there was not sufficient stress laid upon that very important element in railway transportation; that is, the cost of handling at important terminal points. The ability of a road to carry freight cheaply depends, in my judgment, very largely upon its ability to handle that freight from the starting point or at the terminal point. So that the line that has the greater facilities in this respect can at all times haul more cheaply than the line that has not.

#### GREAT COST OF TERMINAL FACILITIES.

The great advantage and the importance of large terminal facilities is shown at this late date more particularly in the fact that a road can be built to within 10 miles of Chicago, and it will cost one-third as much to get into the city as the whole line costs for 500 miles. That is so because property is getting to be very valuable here, and is being gradually taken up. It is now almost impossible for a new line to enter the city of Chicago. That element will always remain very important.

The CHAIRMAN. Do you mean that 10 miles out from the depot in Chicago would cost one-third as much as the balance of the 500 miles?

Mr. ACKERMAN. Yes, sir; that was shown to be the case in the construction of the Nickel-plate road here a few years ago.

Senator HARRIS. That all enters into the aggregate cost of the road, does it not?

Mr. ACKERMAN. True, it does.

Senator HARRIS. And you deal with the actual cost of the whole road when you refer to that for any purpose whatever, I take it for granted?

#### RELATION OF TERMINAL EXPENSES TO THE HAUL.

Mr. ACKERMAN. That is true in one sense. The terminal item enters into the aggregate cost of the road; but in the matter of handling freight,

it enters in another way. For instance, if you were loading fifty cars for the East and they were going 1,000 miles, the expense of loading here in Chicago would be prorated, in one sense, over the entire distance of 1,000 miles from Chicago to New York. Suppose you load a car to go only 20 miles. The expense attending the loading of that car is just as great as it would be in the case of the car going the 1,000 miles. If you prorate the terminal expenses over the 20 miles, of course you will see at once that the railway company should have more for carrying that 20 miles in proportion than for the 1,000 miles.

Senator HARRIS. Would it be a difficult thing for the common carrier to keep an account of the terminal charges, separate and apart from the carrying or hauling charge?

#### SEPARATE ACCOUNTS FOR TERMINAL CHARGES.

Mr. ACKERMAN. No, sir; it would not; and that was one point I wished to speak about. It is a subject I think that should engage the attention of this commission, if one is appointed. The question of transportation is one thing, but the question of terminal expenses is another. That must be an entirely different question. I believe that every pound of freight taken out of any large city or from any important terminal should bear with it a terminal expense for loading or unloading, as the case might be.

The CHAIRMAN. You mean the item of terminal expenses should be separate?

Mr. ACKERMAN. Yes, sir; I think that should be an entirely separate and distinct charge, so that if a shipper went to a traffic manager to get his rate from Chicago to New York, for instance, the rate named would only cover the rate of transportation—the bare hauling of that commodity from one point to another; but the whole question of terminal expenses should be a separate and distinct item and should be charged against that freight.

The CHAIRMAN. You think that would not involve the railroad or transportation company in any very great additional expense, do you?

Mr. ACKERMAN. No, sir; it is a mere matter of book-keeping to keep an account of those expenses. Every company in this city, and in every city, indeed, knows exactly what it costs them each year to maintain their freight houses and what are the incidental expenses attached thereto. If that question were generally better understood it would probably result in many instances in the shipper preferring to load his own cars, for example.

#### ELEVATORS.

Senator PLATT. Who owns the elevators; the railroad companies or elevator companies?

Mr. ACKERMAN. The elevators, for the most part, are owned by individuals outside of the railroad companies.

Senator PLATT. Who pays the elevator charges, the shipper or the railroad, in the first instance?

Mr. ACKERMAN. The charges go with the grain. If you buy grain to-day for July or August you practically pay the charges in the price that you pay. It is not only a question, properly speaking, of terminal expenses, which involves the loading and unloading and the general risk of handling the freight, the breakages and insurance, loss by fire, &c., but there is another very important expense of railroad companies, and that is in collecting the freight bills.

## FREIGHT COLLECTED BY RAILROAD COMPANIES.

I think you gentlemen would be astonished to know how much labor and expense there is attending the collection of the freight charges of a train-load of cars. There is a great deal of that freight that is not hauled to the depot by the shippers at all. It is collected, picked up all over the city, and hauled to the depot at the expense of the companies. They get nothing extra for that.

The CHAIRMAN. Why do they do it?

Mr. ACKERMAN. One does it because the other does it. One is obliged to follow the other.

Senator HARRIS. It is a method of getting business?

Mr. ACKERMAN. It is one way of getting business. "You give us this business and we will call for it." That is what it amounts to. All that expense is paid by the railroad companies, and it is a very serious tax upon their revenues.

Senator PLATT. Is that the case at other points, or is it true only of Chicago?

Mr. ACKERMAN. I do not know for a certainty whether it is true at other stations, but it is true here, and it has grown to be a great evil. I think in the small points ordinarily the shipper delivers his freight at the station.

Senator PLATT. When you speak of fair rates, I understand you to speak of a rate which is reasonably fair to the railroads. But is there not an unfairness, after all, to individuals if the one who only desires to ship his freight for a short distance is made to pay a very much higher rate for the shipment than one who wants to ship his freight for a long distance?

Mr. ACKERMAN. No, sir, I do not think that is true.

Senator PLATT. The result of that practice is that the man who ships a long distance gets his business done by the company for little or nothing, while the man who ships a short distance pays all the profit that the railroad gets. Is not that it?

## THROUGH RATES TOO LOW.

Mr. ACKERMAN. That is a mere circumstance which has arisen of late. I do not think it is an element that should guide you gentlemen in forming conclusions. The difficulty to-day is that through rates are too low. You would, in my judgment, confer a great benefit, and would add to the commercial prosperity of this country, by raising these rates in some possible way, if it can be done. In other words, turn your attention to these low rates. I think the whole country to-day, certainly the railway interest of this country, is suffering from low rates.

The CHAIRMAN. Those low rates are generally through rates?

Mr. ACKERMAN. Yes, sir, through rates. The managers seem to have arrived at that point where they are stretching out their hands for some one to help them.

Senator PLATT. It is a feature of railway management, is it not, that the long distance freight pays very little, if any, profit, while the short distance freight pays the profit which the company derives from its business, if there is any profit?

## LOCAL BUSINESS PAYS INTEREST ON BONDS.

Mr. ACKERMAN. Not necessarily short freights. That is, figuring from any important terminal like Chicago. It is known generally among

railway men that local business probably pays the interest on the bonds to-day. If it were not for that, I think they would suffer.

Senator PLATT. The question I wish to ask—and it does not indicate my opinion at all on this point—is whether you think, as a railroad man, it is fair to the general public that the men who do a moderate business over short lines of railroad, should pay all the profit substantially that the railroad companies derive from their business?

Mr. ACKERMAN. To answer your question directly, I should say not. I should not think it fair that he should pay all the profit, but I think in truth he is only paying a fair profit on the business that is carried for him. I think the others are getting their business done too low.

Senator PLATT. As you said a little while ago, you think that is a disadvantage to the whole people?

Mr. ACKERMAN. I do, indeed. I think what is needed to-day is an equalization of rates. I do not mean a reduction where they appear high, because I do not think there are half a dozen roads in this country to-day that are charging what might be called high rates.

#### LONG AND SHORT HAUL LAW.

Senator PLATT. Would not what is called a short haul law, that is, that the railroad companies shall not charge more for a shorter distance than for a long distance, operate for the equalization of rates by making the roads put up the long distance rates?

Mr. ACKERMAN. It might, if it was protected by law. It seems strange to talk at this late date of compelling railway companies to raise their rates; but if you could require the managers of these trunk lines to raise their rates and establish a maximum rate, you would in that way equalize. But I am not sure then, for the reason I stated as to terminal expenses, that the railway company should not be allowed to charge more in proportion for the short haul than for the long.

#### TERMINAL EXPENSES SEPARATELY CHARGED.

Senator PLATT. You think the railroad companies should be allowed to charge the terminal expenses?

Mr. ACKERMAN. Yes, sir; if you put it in that form, as a separate item of expense, I should be disposed to think then that perhaps a uniform rate would work advantageously.

Senator HARRIS. Would not the tendency of a provision of law prohibiting the charging of more for a short than for a long haul in the aggregate be to force the railroad companies to charge a reasonable rate for long hauls rather than too low a rate?

#### RATES NOT INCREASED BY SHORT HAUL LAW.

Mr. ACKERMAN. I do not think it would, for in this State it has not had that effect. I have not looked at that railroad law for a long time, but my recollection of it is that it absolutely prohibits a greater charge, as I understand, for a short haul than for a long one.

Senator HARRIS. If you had such a law and it was vigorously enforced and the railroad company was prohibited from re-couping upon its local traffic for losses made upon its through traffic, would it not be compelled, as a matter of self-preservation, to charge upon the through traffic rates that would compensate the company for carrying?

Mr. ACKERMAN. One would think so at first sight. I thought so



once, and attempted to apply a practical test; but the result was that I lost the business. In other words, the shipper said he would not pay it, and that was the end of it.

Senator PLATT. You did not have any law which affected rival lines equally with your own, did you?

Mr. ACKERMAN. No, sir; there was the trouble. We were dealing with interstate roads.

Senator PLATT. But in reference to this interstate commerce, if any law is passed, it will affect rival roads alike?

Mr. ACKERMAN. If you will pass a law requiring all railroad companies to maintain a uniform rate, and let that rate be a reasonable one—such a rate that will compensate them for doing the business, and will pay the interest on a fair debt and give a reasonable return on their shares—you will have accomplished a great work.

#### PUBLISHED RATES, WITH NOTICE OF CHANGES.

Senator HARRIS. Suppose the law requires every railroad company to publish its rates and not to change those rates except after a notice of three or five or ten days?

Mr. ACKERMAN. I do not see any particular objection to that.

Senator HARRIS. And suppose that law prohibits any discrimination or any departure from the rates so published?

Mr. ACKERMAN. I do not see any objection to it, then.

#### PROHIBIT DISCRIMINATIONS.

Senator HARRIS. Would not that, to some extent at least, remedy the evil of which you speak?

Mr. ACKERMAN. Yes, sir, I think it would.

Senator HARRIS. Do you think such a provision of law would be wise?

Mr. ACKERMAN. All things being equal, I think it would.

Senator HARRIS. In the sense of applying to every interstate railroad line it would be equal, because it would apply to all equally alike.

Mr. ACKERMAN. Yes, sir; if the application was universal, I think it would be a good thing.

#### NOTICE OF THIRTY DAYS BEFORE CHANGE.

Senator HARRIS. From your practical experience, what length of notice do you think should be given before a change of rates?

Mr. ACKERMAN. I should think thirty days would be sufficient.

Senator HARRIS. I believe no one who has been before the committee has gone so far as to fix thirty days. They have averaged from five to perhaps twenty days in their views.

Mr. ACKERMAN. There are some very long railways in this country, and I do not think a five days' notice would be sufficient unless it was wired over the line. But your suggestion contemplates a written or printed notice, does it not?

Senator HARRIS. Necessarily.

Mr. ACKERMAN. The trouble has been, in the last year and a half at least, that the railroad companies have been obliged to take freight at whatever rate shippers were willing to pay. It was not a question of how much they charged.

## UNDUE COMPETITION DISASTROUS.

The CHAIRMAN. You say they were obliged. That is the result of the competition going on among the roads, is it not?

Mr. ACKERMAN. Yes, sir; this undue competition.

Senator PLATT. Undue competition is as bad as or worse than undue preferences, in your estimation?

Mr. ACKERMAN. Yes, sir; it works as disastrously in one case as in the other.

Senator PLATT. Take the case of a man who raises grain and cattle and other products which he wants to get to the eastern seaboard. He gets the advantage of these low rates, does he not?

Mr. ACKERMAN. He does very largely from Chicago east.

Senator PLATT. That man who lives west and raises grain and cattle would hardly want a short-haul law if it operated to put up the through rate, would he?

Mr. ACKERMAN. Not if he was affected by a through rate. The rates from Chicago west I think are now reasonably low, and shippers are generally, I believe, satisfied with them. There has been no complaint on that score. Most of the grain, I take it, is shipped to Chicago and put in the elevators here; and what are known as through shipments are made from this point. Frequently bills of lading are given through to Liverpool covering not only the rail transportation but the ocean transportation.

## COMPETITION.

There is one point in regard to competition that I would like to speak of. This so-called competition was the thing that the people of Illinois at least clamored loudly for a few years ago. They regarded that as the healing balm for all their troubles. If they could only get more railroads and then get them into competition with each other, they thought that would remedy the entire difficulty. They have that condition of things to-day pretty thoroughly in this State, and I do not see that the country is any more prosperous than it was before, or that the producer is any better off. With a short crop and with a high rate, the average farmer of this State got more money out of his farm than he does to-day. In other words, the price of the produce seems to be governed by the price of transportation, and it has made the farmer's wheat and corn almost as cheap at his own door as at Chicago.

## EFFECT OF FOREIGN MARKETS.

Senator PLATT. There are a great many circumstances that enter into the price of farm products, especially of grain. Foreign markets have a great effect.

Mr. ACKERMAN. Of course; the foreign price affects it, and the question of labor also largely contributes. So much stress was laid upon this word "competition" a few years ago, and so many roads were built with the view of meeting that supposed want, that it has practically resulted in a loss to both sides.

The CHAIRMAN. What do you mean by both sides?

## LOW RATES NO BENEFIT.

Mr. ACKERMAN. I mean that to-day I do not think the farmer is any better off while paying his 5 or 6 mills a ton a mile for freight, than he

was when he paid 2 cents a ton a mile. He does not get any better prices, nor as good. In short, I might say that I do not believe that low rates are a benefit to the country. That may seem to be rather an extreme view to take, but certainly in this State and in this whole Western country, we were more prosperous in every way when the shipper paid a fair price for his transportation than we are now.

#### EXHAUSTED CONDITION OF ROADS.

We are all dependent upon each other in this Western country. That is shown to-day in the condition of the railroads. If they could be restored to their original condition, or even to a fair condition of permanency and safety, we would, I think, at once see what we call better times. There is not a road in this country, certainly not in this Western country, that to-day does not need a great many things. Many of the lines are in the hands of the receivers. These receivers, as officers of the courts, are governed by the instructions of the courts. If the roads could to-day get fair rates for their transportation, they would immediately, or within thirty days, order thousands of tons of steel rails and railway supplies of every kind in order to increase their force and to build up their roads and prepare for a healthy compensating business. If it is possible for you gentlemen to establish some rate that would be known to the managers as a compensating rate, they could afford to and would at once take that position.

#### HIGHER RATES BENEFICIAL TO ALL.

Senator PLATT. When you say you think if higher rates than at present were charged for through freights, it would be an advantage to the whole country, do you take into consideration the interest of the consumers as well as the producers?

Mr. ACKERMAN. I do. I think it would tend to the general prosperity of the country.

Senator PLATT. It is better for the producer, the consumer, and everybody else to have good business than poor business?

Mr. ACKERMAN. Yes, sir. In other words, I cannot see who is being benefited by these low rates to-day between Chicago and New York. I know a great many people are being ruined.

#### TOO MANY ROADS.

Senator HARRIS. Is it not true, however, that you have too many lines between Chicago and New York, and is it not equally true that you have more capital invested in railroads, and that you have more railroad facilities in Illinois, than the business of Illinois demands?

Mr. ACKERMAN. I suppose it is true that there are more lines between Chicago and New York to-day than are really needed for the business that is now offering. But if we could put a peg in just here and say, "thus far and no farther," and prohibit any more roads being built, the country would gradually develop and grow up to what are now in existence.

Senator HARRIS. Assuming that it is possible for Congress to prohibit the State of Illinois or any other State from chartering and constructing as many railroads as it chooses, do you think the general public should be made to pay a profit upon rival and parallel lines of railway, which are not needed, and in which more capital is invested than is needed, in order to sustain such railroads as have been unnecessarily and improvidently built?

## THE PUBLIC THE SUFFERER.

Mr. ACKERMAN. No, sir; I am not prepared to say that the public should suffer for such folly. I do not know that we need give ourselves very much anxiety at present about the matter of the further construction of railways. I do not imagine that there are any financial men in this country to-day who would willingly enter into the construction of a railroad. Certainly not in this State.

Senator PLATT. I remember hearing that same argument made as long ago as 1875, after the panic of 1873, when a certain writer said we need not have any further trouble about the overbuilding of railroads; that that time had passed.

## NO PRESENT DANGER OF OVERBUILDING.

Mr. ACKERMAN. It may be that we are a nation that never learns, or that soon forgets. But judging from the present temper of New York and other financial centers, I do not think you could induce any very large number of people to engage in railroad building or to subscribe for any considerable amount of bonds. As to deciding about the necessity for a line, that could be left to the different State boards in the different States. I do not know that it would be a possible thing for Congress to pass a law restricting railroad construction. I do not imagine such a thing could be done. But if our different State legislatures would amend the present railway laws so as to include that as one of the duties of the railway commissioners, it would certainly do a very wholesome thing.

## PRESENT EARNINGS INSUFFICIENT TO PAY FAIR PROFIT.

The CHAIRMAN. Do you or not believe that the present average earnings of the railroads now in existence are sufficient to pay a fair profit on the actual cost of the construction of the roads, leaving out of view all the overcapitalization and the watered stock that has been issued by them?

Mr. ACKERMAN. No, sir; I do not.

The CHAIRMAN. You do not believe that they would pay even on an honest capitalization?

## THE WABASH RECEIVERSHIP.

Mr. ACKERMAN. I think, as an illustration or as a proof of what I will say, I will cite the case of the Wabash road. That organization, to my mind, is a very much abused one, laying aside any evils that may have crept into the financial management of it in New York, and I think New York influence should be eliminated from every railway in the country. You may take the Wabash road, to-day in the hands of receivers, and read the reports to the court appointing those receivers.

If you gentlemen have read The Nation continuously for the last three or four months, you have seen a series of articles published on the reports of the receivers of the Wabash road. I refer especially to the one of the 16th of April. That report showed that for a certain period, I think for the first three months of their receivership, out of twenty-five roads composing the system only three had paid operating expenses and interest on debt. I think about three more paid only operating expenses, and that nineteen of those roads, running through the heart of a rich and prosperous State, did not pay sufficient to keep them running.

## CAUSE OF DISEASE, LOW RATES.

Whatever might be said about the Wabash road in days past—and it is a very common fault of our people to rail at some supposed wrong—there is what you might call “hard pan.” The receivers had no object or intention in misrepresenting the facts. In their accounts rendered to the courts they state the facts. The facts they give there go to show that the rates are too low; that they are not compensatory. This was a *post mortem* examination. It was after the Wabash road was dead. We have an autopsy, and get at the real cause of the disease. The cause here is low rates. That is the trouble to-day.

The CHAIRMAN. Some time ago you expressed the belief that cheap rates were really doing no good to the farmers or to anybody else.

Mr. ACKERMAN. Yes, sir.

## A LIVING RATE IN THE WEST.

The CHAIRMAN. As a matter of fact, could the grain-growers of the States and Territories west of us get anything at all for their grain except as they use it at home unless these cheap rates were maintained?

Mr. ACKERMAN. The grain-growers west of Illinois get to-day cheap rates, and they are satisfied with those rates. But they do not get as low rates as we get between Chicago and New York. If the roads running from Chicago west were to establish and maintain for any length of time such rates as are being accepted now by what are known as trunk lines, they would all be in the condition that some of those trunk lines are in to-day. It is the only reason why such honestly managed roads as the Burlington and Quincy, the Northwestern, the Rock Island, and roads of that kind, have been able to maintain themselves. It is because they have been allowed a living rate; not an excessive rate or an extortionate one, but a fair living rate.

The CHAIRMAN. You say they have been allowed it. They have simply made schedules of fair living rates and have lived by them.

Mr. ACKERMAN. And maintained them; there is the secret of it.

The CHAIRMAN. And they have not violated any law either?

Mr. ACKERMAN. No, sir; in many instances they are below the tariff prescribed by the State commissioners in the States through which they pass.

## LOW RATES NECESSARY TO WESTERN FARMERS.

The CHAIRMAN. As a matter of fact, it is very important, in these days of cheap agricultural products, that people west of here, especially, should get as low a rate as possible in order to get their products to the market at all, or to get anything for them.

Mr. ACKERMAN. There is no doubt about that.

Senator PLATT. That operates, I imagine you think, on foreign trade more than on domestic trade. You do not think, for instance, it would be a disadvantage to have a higher rate for distributing the products through our own country?

Mr. ACKERMAN. No, sir; I do not.

## FOREIGN MARKETS DEMAND CHEAP TRANSPORTATION.

Senator PLATT. But if you are going to do a foreign business, you must have very low rates to the sea-board.

Mr. ACKERMAN. I suppose the demand for our grain is dependent

upon the price at which it is sold, and upon the necessities of the people on the other side, the condition of their crops, &c. The question of transportation does not always enter into the foreign demand.

The CHAIRMAN. It is very important to all manufacturers as well as farmers, that the lowest possible rate that will enable the transportation companies to live and do business should be procured, in the interest of the people of the country, both East and West.

#### WHEAT PROFITABLE AT FORTY CENTS.

Mr. ACKERMAN. Yes, sir; there is no doubt about that. The railroad managers have studied that subject in all its details and have endeavored to meet each individual case, and the shippers west of Chicago say as a class they have very little complaint to offer to-day. There are elements that have operated to enable the grain-growers to sell their corn at a less price than heretofore. The large wheat growers in the Red River country—men like Dalrymple, who have farms of from 10,000 to 25,000 acres apiece—have told me that they can raise wheat at 40 cents and make money on it.

Senator PLATT. Twenty years ago, I suppose, they could not have raised it at 60 and 75 cents?

Mr. ACKERMAN. No, sir.

The CHAIRMAN. But not one farmer out of five hundred can raise it at that price?

Mr. ACKERMAN. By the introduction of machinery they have increased their crops very largely, and have brought about this condition of overproduction.

#### COMPLAINTS REDUCED TO A MINIMUM.

Senator PLATT. What do you think the public sentiment of the State of Illinois, taking all classes of people into view, is with reference to railroad management to-day? Do they think it is fair and just or that it is unjust?

Mr. ACKERMAN. The complaints against the railways in this State have been reduced to a minimum. There is very little complaint existing to-day.

Senator PLATT. There is very little specific complaint?

Mr. ACKERMAN. Yes, or general complaint.

Senator PLATT. Do you think the general hostility to railroads, if I may use that term, has been to any degree modified by the reduction of specific grievances?

#### THE GRANGER SENTIMENT.

Mr. ACKERMAN. I think the whole matter has largely regulated itself. When we started off in 1870 to pass what we call the granger laws, there was a very bitter feeling between the railways and the people. There was a good deal said by the press and politicians at that time to engender that feeling; and it worked very disastrously on the railways. It not only checked railway construction, although there was comparatively little room for any more railroads in this State, but it had a very depressing effect upon the managers themselves.

#### INDUSTRIES AFFECTED BY RAILROAD ECONOMIES.

Every time a railway manager finds it necessary to curtail his expenses, it works an injury to fifty or one hundred interests. For instance

there are in this State to-day, I presume, 60,000 men employed directly on the railroads. Then it would be safe to say there are 60,000 more employed incidentally, in the elevators, and lumber yards, and rolling mills, and railway supply factories, and everything of that kind. When these measures of economy were introduced in 1871 and 1872, I have always contended, and I think I am right about it, that they had a very depressing effect upon the people, upon the citizens of the State, and that they contributed very largely to the troubles that came on in 1873.

We are like a row of bricks in this Western country. That is certainly true to a great extent of the whole country. We depend upon each other. If the railway companies are not ordering rails, the rolling mills close up and the railway supply factories cut down their expenses and discharge their men. Telegraph companies reduce their number of operators. And then the depression is felt generally and gradually throughout the State. We are suffering from that condition to-day. There are a great many unemployed people and worthy men. There is, for a State of its size, a small percentage of crime and real poverty; but there is considerable suffering.

#### · HOSTILE FEELING LESS INTENSE.

Senator PLATT. You think the feeling is less intense on the part of the people toward the railroads than it was in 1872?

Mr. ACKERMAN. Yes, sir; I think it is, without doubt. I think there is this feeling in Illinois, that the people, so to speak, and the press have gone too far in their denunciations. I think they have wrought a mischief they did not count upon, and it will take time to heal those differences and evils that have been brought upon us.

Senator PLATT. Suppose one were to go through the farming and more rural parts of Illinois, what do you think you would find the sentiment of the common people toward the railroads to be? Would it be hostile still or comparatively friendly?

Mr. ACKERMAN. I think the average farmer would say, "I thought I was doing God's service when I was prosecuting the railroads, but I find I have gone too far. When I brought the railroads down, I brought myself down with them." The general condition of our farmers in Illinois is, I think, very fair. Most of them have their farms paid for; but they are, in common with every one else, suffering from the wonderful depression which is now hanging over us, and which is likely to continue for another year.

#### · MAXIMUM AND MINIMUM RATES.

In reference to the fourth item in your circular, "The desirability of establishing a system of maximum and minimum rates for the transportation of inter-state commerce," I think that should be established with a very wide range, and that it should be governed by the price per ton per mile. That is the true index or the true way of getting at the net revenue of a railway. Not what amount of tonnage it is carrying, but what is it earning per ton per mile for carrying it. The trouble to-day with the lines that are hauling this low-priced business is that the subordinates have been struggling and competing with each other for tonnage, for the volume of business, utterly regardless of whether it paid anything or not. It did not seem to enter into their minds to inquire whether there was any profit in the business. It was simply a grand struggle for business, and so they have got the rate down during

the last fifteen years from 3 cents a ton a mile to 3 mills a ton a mile, which is a rate that will bankrupt any road attempting to carry freight, I do not care how strong that road may be.

#### ELEMENTS OF COST.

As to the fifth item in your circular, "The elements of cost, the conditions of business, and the other factors that should be considered in fixing the tariffs on interstate traffic," I should say that those are matters which any State board can deal with. But one important item that I have referred to, I think, should not be lost sight of; that is, the fearful expense attending the handling of freight at the important terminal points. I believe, and I will say now again, that it should form a subject of separate and distinct charge.

#### REBATES AND DRAWBACKS.

This system of rebates and drawbacks is one which has forced itself upon the railway managers. It was not one of choice. It is one of the evils which has grown out of the system which has been so largely developed within a few years. I know from personal experience that there is not a manager in the Western country that would not very gladly do away with it.

The CHAIRMAN. On that point, do you think it would be safe for Congress to pass an act absolutely prohibiting it, if an act is passed by Congress upon the subject of the regulation of commerce between the States?

Mr. ACKERMAN. If they would at the same time protect the railways in offering inducements to large shippers. One reason to-day why they are obliged to make up these rebates is because they bill their freights at uniform rates, and then give back a part to the large shipper.

The CHAIRMAN. Would not that be putting the boot on the other foot?

Mr. ACKERMAN. It would be legalizing a thing which is now supposed to be done secretly. That would be one advantage.

Senator PLATT. Publicity would remedy many of these things.

#### WHOLESALE AND RETAIL PRINCIPLE.

Mr. ACKERMAN. Yes, sir. I would have it understood that the men who offered me a large tonnage at fair rates would be entitled to some consideration, according to the laws of trade.

Senator HARRIS. The tendency of which is to break down all small dealers, and to concentrate the business of the country into a few hands.

Mr. ACKERMAN. Practically it may work that way, but how are you going to remedy it? Any of you gentlemen can buy to-day a large quantity cheaper than you can buy a small quantity. As I said before, transportation is a thing that is sold.

Senator HARRIS. The Government cannot regulate private business, but it can regulate the business of the common carrier.

Mr. ACKERMAN. I confess that is one of the difficulties you would have to contend with. I do not see my way clear to answering satisfactorily how you could dispose of it. But the general principle that the man having a large quantity is entitled to consideration over a small dealer, is pretty well established now.



Senator PLATT. The question is, whether it is as well established in equity as in commercial law.

#### RIGHT TO DESIGNATE ROUTES.

Mr. ACKERMAN. With reference to the eighth item, in regard to securing to shippers the right to select the lines over which his freight shall go, I think, as a general thing, it would be better if the freight were shipped over the line on which it was started.

The CHAIRMAN. That is, that it should be left to the shipper to determine the route?

Mr. ACKERMAN. This changing of freight within the last few months has grown out of the pool which was in existence. The rates were so low under the pool that some of the railways attempted to foist a part of the trade on the other lines. It was really done below cost, and they wanted to do just as little of it as possible. That is a matter which will regulate itself, I think.

#### UNIFORM SYSTEM OF RATES.

The ninth item is, "By what method can a uniform system of rates for the transportation of passengers and freights by all the corporations"—I suppose that means all in the country—"engaged in interstate commerce be best secured." I would answer that briefly by saying that I would regard as an impossibility the establishment of a uniform rate.

The CHAIRMAN. Do you think it would be wise to do so, if it could be done?

Mr. ACKERMAN. I think it would be unwise to attempt it. I would leave that to each State. You know, of course, that freight can be hauled over a level prairie cheaper than over a mountainous country. If you attempt to establish a uniform rate you would give one road too much and the other too little.

#### UNIFORM SYSTEM OF ACCOUNTS.

Twelfth, "Should corporations engaged in interstate commerce be required to adopt a uniform system of accounts?" I would consider that a very desirable thing. It would be very convenient for comparison, and would give you a better idea of the condition and prosperity of the lines than you get by taking up reports published at various times and in various forms. I should think that it would be an exceedingly desirable thing to establish a uniform system of accounts. We have practically done so in this State.

The CHAIRMAN. In connection with that uniform system of accounts you could also as well establish a uniform system of bills of lading, could you not?

Mr. ACKERMAN. Nearly so; yes, sir. There would be no great objection to that.

#### ANNUAL REPORTS TO GOVERNMENT.

You ask, also, whether it is desirable that such a corporation should be required to make annual reports to the Government. I do not believe the Government would care to have those reports. If you undertook to deal specifically with each report of each railroad you would require a much larger bureau than the law contemplates.

The CHAIRMAN. If a commission should be established by Congress, having supervisory control over these roads, in your judgment, would it be sufficient for the commission to require of the roads such information as they desired?

Mr. ACKERMAN. Yes, sir; I think that would be all that would be necessary. There might be a duplicate of the report they sent to the commissioner of the State; but whether or not you would care to take up such reports and deal with them in detail, I should doubt. I think you would find it a very laborious task. You would need a very large force in order to do it. Mr. Fink undertook to keep the accounts of the trunk line pool, and I understand he has about a hundred clerks in his office. That covers only the business of a few lines.

#### THE CULLOM BILL COMMENDED.

In conclusion, thanking you for your patience with me, I would say I have kept some watch of these different bills during the five or six years in Congress, and that I regard the bill known as the Cullom bill—pardon the familiarity—as one of the best that has been offered, for the simple reason that it does not undertake to do too much.

Senator PLATT. Mr. Reagan, to speak of him as a representative man, thinks railroads ought to be regulated by specific statute laws, without a commission. What do you say as to that?

#### THE REMEDY, A COMMISSION.

Mr. ACKERMAN. A law without a board. Well, I think a board of commissioners is a very convenient thing to have. It would be a bureau in each State, and would be a place for the reception of reports; and if they would act wisely, as they have in this State of late, and in Massachusetts and New York, they would be a very great advantage to the railroads in advising with the officers and in supervising their affairs generally.

The CHAIRMAN. Are they not of advantage to the people as well as to the railways?

Mr. ACKERMAN. In being just and true to the railways, they would be equally so to the people. In my judgment, the interests are identical.

Senator HARRIS. And in being just and fair to the people, they are equally so to the railroads?

Mr. ACKERMAN. Yes, sir. Justice meets on a common level, I suppose, wherever it is found.

#### BURTON C. COOK'S STATEMENT.

BURTON C. COOK, solicitor of the Northwestern Railway, appeared.

The CHAIRMAN. You understand the purposes of this investigation, and have been listening to the statements made here. Will you, in your own way, proceed to give us your views generally on this subject?

Mr. COOK. I think the first thing to be considered in reference to this matter is to define the evil that exists in reference to railroad transportation. That some evil exists I do not think any one will dispute. What I say now, I want to premise by saying that I have changed my views many times on these questions since my railroad experience began, and what I now say is only tentative, and will be my view until I learn something more than I know now.

The CHAIRMAN. You reserve the right to change your views again?

## RAILROAD EVILS.

Mr. COOK. Yes, sir; I do not think the evil to-day is extortion; I do not think that is an evil that requires any remedial legislation. There may be in a few exceptional cases, and under exceptional circumstances, overcharges, but not generally. It does not amount to anything in considering what is the evil to be remedied. I say this because I have taken pains to ascertain, to some extent, what the rates are in comparison with what the rates used to be. I have here a statement which I had compiled of the rates on the Northwestern road; and I suppose that is a fair sample of other roads, because it runs through a good many States, and has different classes of business.

## REDUCTION OF RATES.

From the year 1875 to the year 1885 the reduction of the rates on freight on the Northwestern road has been about 33½ per cent.

Senator PLATT. You speak of the average?

Mr. COOK. Yes, sir. During the same time the reduction of the fares has been from 20 to 25 per cent. I suppose that is a fair statement to be applied in relation to the main trunk lines running south and northwest from Chicago. The reduction has not depended upon the statutes which have been passed, or upon the rates fixed by the commissioners. There have been some independent reasons working to produce it. In many instances rates charged have been much lower than those fixed either in specific statutes or in the schedules made by the commissioners. So that I conclude that that matter does not require remedial legislation. It can be regulated entirely and satisfactorily in other ways.

## RAILROAD COMMISSION.

The CHAIRMAN. Has or has not the railroad commission in this State had any influence upon the reduction of rates?

Mr. COOK. I think when the schedule was first prepared it did have the effect to reduce rates on some articles. There was a universal desire to comply with the schedules issued by the commissioners, and I think the rates were reduced on some kinds of freight. But the reduction did not stop there.

The CHAIRMAN. When you began to reduce, you went below the figures fixed by the commissioners?

Mr. COOK. Yes, sir; in some instances I know they did. That was so as to some specific classes of freight, and as to passenger rates very generally. Besides that, and beyond that, I think the rates which are now being paid are in many instances not remunerative to railroads, and that railroad property is depreciating, and the capital invested in railroads is being sunk.

## SPECULATIVE BUILDING.

A practice is now going on on many roads of doing business at unremunerative rates which will absorb and wreck the railroad systems of the country generally in the process of time. My own conviction is that this grows out of, not perhaps an oversupply of railroads, but from the fact that in many instances the ruling and controlling motive in building railroads has been, not for the purpose of supplying the wants of the community, but rather for the purpose of placing the new roads

in competition with some system which would be compelled, in self-defense, to buy them out and absorb them.

Senator PLATT. Filling the pockets of the promoters?

Mr. COOK. Yes, sir; I think that has been done to a very disastrous extent. When that has been the case, the question of the payment of its obligations is simply a question of time, and sometimes of a very short time. If the natural business of the country, as it seems to me, did not require the construction of the road, then it could not be supported, and would pass into the hands of a receiver, or into the hands of its creditors, who would acquire the road for a very much less sum than the actual cost of construction—generally for the amount of the first mortgage. The competition, therefore, with honestly-made roads is disastrous to those roads.

#### OVERCAPITALIZATION.

Senator PLATT. But when a road is wrecked, and it passes into the hands of somebody who has bought it for a less price than its cost of construction, perhaps for less than its first-mortgage bonds, they immediately set to work to capitalize it over again for a great deal more than they pay for it, do they not?

Mr. COOK. Sometimes they do, but that fictitious capital can compete at great odds with honest capital. There are a great many roads in this country that have passed into the hands of receivers. I suppose there has been more bankruptcy of railroad corporations than of any other class of corporations in the country, unless it be those that are so interlocked with the workings of the railroads as to be affected by the condition of the railroads. Undoubtedly it is true that the iron mills, the rolling mills, the coal producers, and all those systems of industry are so dependent upon railroads that they are affected by whatever affects the roads. I believe the disastrous condition of the railroads of the country now accounts to a great extent for the fact that with an overproduction of food and grain, and with plenty of money, the business interests of the country are in a bad condition.

In reference to those things that you have asked specifically I will give you my views.

Senator PLATT. I think there is great force in what you say about the cause of the present general depression of the business of this country. But it is not confined to this country alone. Other countries which have not been overbuilding railroads to the same extent that we have are in a like condition, and you will have to look a little farther for some of the causes than railroad building.

Mr. COOK. I am not as familiar as others may be with the causes of the financial condition of other countries, and do not know that I am competent to express an opinion on the matter at all. I have thought some of this matter, I have seen the practical operations of it to some extent with the roads that are connected with the road I represent, and with other industries from which these roads obtain their supplies.

Senator PLATT. The cessation of railroad building undoubtedly has exercised a very great influence on the whole business of the country.

Mr. COOK. Not only the cessation of railroad building; but the truth is, that with some exceptions, railroads have not been kept up to the standard they were in at one time, I think. Less materials have been used for the maintenance of railroads, and consequently there is trouble coming to those corporations and to those interests that furnish railroad iron of every sort.

## SOME RESULTS OF UNPROFITABLE BUSINESS.

Senator PLATT. I want to ask you, as a man who has been familiar with railroads, whether it is not true that low rates and unprofitable business naturally get the roads into a condition where we may begin to look for accidents?

Mr. COOK. There is a struggle always on the part of railroad management that is honest, and where the road is built for legitimate purposes, to make the balance sheet at the end of the year come out even at least, and if that requires an economy of expenditure in the maintenance of the road, I think that is usually, or almost universally, done.

Senator PLATT. Too great economy will surely bring a time of accidents to railroads?

Mr. COOK. Of course.

## DESIRABLENESS OF A COMMISSION.

One of the questions which is propounded in your circular—I am not taking them up in their order—is whether I think a commission of Congress would be valuable. I answer without any hesitation that I think it would be. If there could be a commission of capable men, men of integrity, I have no doubt a commission would be a very valuable thing. I would have any law which was passed by Congress prohibit a change in rates without sufficient notice.

I do not know that I can make that plain to you gentlemen of the committee, unless you have practical knowledge of the operating and working of railroads. For instance, you may take the iron interests of Michigan with which our road is connected. Suppose one man or one large corporation has his or its supplies brought in at one time. The ore of one man is shipped at one time and the ore of another is shipped at another time. Suppose the man who furnishes the supplies, the middleman up there, should buy his stock and have it delivered at one time and the stock for another man at another time. If there is to be a change of rates, and a fluctuation takes place, that business has either got to tax the community for an insurance against this fluctuation or the result will be disaster for those men.

Senator HARRIS. About what length of notice do you think should be given before a change of rate is to take effect?

Mr. COOK. That would be a matter of opinion; I would fix it at thirty days.

Senator PLATT. Do you think there is the same necessity of notice to the public of a reduction of rates as of an advance of rates?

Mr. COOK. Yes, sir; the business of railroads is entirely dependent upon the business portion of the country through which it runs. The idea of any railroad prospering by any schemes which will injure the community is to my mind absurd.

Senator PLATT. The real interest of the railroads is to build up the community?

Mr. COOK. Yes, sir; this fluctuation of rates, which is caused not perhaps by the action of a single railroad, but by the action of competing railroads and by the action of an undue and unwarranted competition, sometimes results disastrously to the community. I have seen it very frequently.

## POWERS OF A COMMISSION.

Senator HARRIS. You say you favor the creation of a commission; what powers would you confer upon such a commission?

Mr. COOK. I would give them considerable discretion; I think that is necessary. I do not believe that a body like Congress can pass definite rules which shall apply to every case that may arise.

Senator HARRIS. There are certainly very many details that no legislative body can safely undertake to pass upon.

Mr. COOK. I think so; it would depend upon the character of the commission, of course, whether the view I expressed would or not be the best.

Senator PLATT. Under our Constitution we cannot create such a commission with judicial powers without making the commissioners judges with life tenure. That being the case, would you be in favor of going to the extent of making the commission a court with power to enforce its decrees, or would you make it purely advisory?

Mr. COOK. I should not make it a court.

The CHAIRMAN. What absolute power would you give the commission?

Mr. COOK. I would allow their recommendations, their decision, their rulings upon questions requiring the judgment of skilled men to be made *prima facie* evidence in court; that is, that the opinion of these men might be received as *prima facie* evidence before a court which shall decide the question. I cannot see any better way.

Senator PLATT. *Prima facie* evidence of what? Of the facts which they find, or the reasonableness of their conclusions?

Mr. COOK. On the question, for instance, whether such a rate of freight or fare is a reasonable rate; whether it is extortionate; and upon questions as to what constitutes unjust discrimination.

The CHAIRMAN. Would you go as far as this: Suppose a shipper complains of a transportation company and says he has been damaged by unjust discrimination or by extortion, and the commission looks into the matter and finds that he has been damaged, say, to the extent of \$1,000. Would you make that conclusion *prima facie* evidence of its being right to be presented to a court?

Mr. COOK. No; I would stop here. I would say that the conclusion of these commissioners would be *prima facie* evidence before a court as to whether the rates were unreasonable or not, and whether there had been unjust discrimination.

Senator HARRIS. Would you make the conclusions arrived at by the commission, after investigating any matter within their jurisdiction, *prima facie* evidence of their correctness in any and all matters?

Mr. COOK. If that jurisdiction was not too extended.

Senator HARRIS. The thing I want to get at is how extended that jurisdiction should be. I want your opinion as to that exact point.

Mr. COOK. It is a long time since I was in Congress, and I have shifted from my shoulders the responsibilities which rested on me there.

Senator PLATT. Do you not think that they should be given power to say what, in their opinion, a railroad ought to pay to a person who had been damaged, and that their opinion on that question of damage should be *prima facie* evidence?

Mr. COOK. I do not.

The CHAIRMAN. It would be subject to being overthrown by testimony?

Mr. COOK. I would not go that far.

Senator HARRIS. Why would you not make the conclusion upon that branch of the case just as much *prima facie* evidence as any other conclusion?

Mr. COOK. The reason that influences me I will give you in a minute. These men, if their attention was devoted to the question of reasonable-

ness of rates, would have a larger opportunity to arrive at a correct conclusion than would an ordinary juror. Their opinion as to what was unjust discrimination and what were reasonable rates would be entitled to much more consideration than the opinion of another man who did not know anything about the question. When you come to say that a man is damaged so much, it is not a question for an expert at all. That would be within the province of an ordinary juror to determine. I would not give any unnecessary powers whatever to this commission.

Senator HARRIS. One of the great objects of creating the commission is to investigate questions and determine them cheaply to the shipping public and prevent the necessity for each small shipper to go into court and litigate with a railroad company the various causes of complaint.

#### RESULTS OF PRESENT RAILROAD COMMISSIONS.

Mr. COOK. I have had this experience: Since the railroad commission was established in this State there has never been a single case of litigation between the company that I represent and a shipper. There have been some questions submitted to the consideration of the railway commissioners, and where the commissioners have differed with either party in opinion, that has been final. In neither case has there been any need to resort to the law.

Senator PLATT. Do you think railway companies generally have acquiesced in the decisions of the State board of commissioners?

Mr. COOK. Yes, sir; they have certainly in all cases where the character of the board of commissioners was such as to command the confidence of the public; and I do not know of any exception to that rule. It has certainly been so in this respect so far as our own road is concerned. We have not had a question go beyond the commissioners.

The CHAIRMAN. You have never refused to comply with the judgment of the commission?

Mr. COOK. No, sir; not after they had heard us. I have known of cases where the judgment of the commission has been changed entirely by a larger view of the facts being presented before them.

Senator HARRIS. You mean conclusions arrived at by an *ex parte* statement have been greatly changed after hearing both sides?

#### REBATES, DRAWBACKS, ETC.

Mr. COOK. Yes, sir. I think a law would be almost fatally defective that did not absolutely prohibit all rebates, drawbacks, discounts, and commissions, and that was not so drawn that the prohibition could not be evaded by collecting the rebates and refunding under the name of overcharges, or anything similar to that.

I will give my reason for that statement. I know it to be true that there is a custom of having one rate appear upon the bills of lading. (I am not speaking now of the road I represent. I feel more in relation to this matter like the man who sits in the dentist's chair than the dentist.) There is a custom of charging one rate of freights in the open bills of lading, and an understanding, which does not amount perhaps to a bargain, but it results in just that way, that the charge will be lower. This is not known by the general public. It is not known by the roads generally. Where there is an evil practice of that kind it works calamity both to the carrier and to its customers; if it cannot be prohibited and stopped, honest railroads must go to the wall. That is certain.

Senator PLATT. And honest traders too?

Mr. COOK. Yes, sir.

Senator HARRIS. How would you enforce the prohibition of rebates and drawbacks. By penalties?

Mr. COOK. If it was left to me I should refer it to some gentlemen in Congress, such as those composing the Judiciary Committee, or to somebody that I thought better able to devise and plan than I. I have not had time to think of that. My opinion is not of much value, perhaps, on that subject.

Senator PLATT. What is precisely this practice of which you speak?

Mr. COOK. The practice is, having the shipping bills show one rate of freight while the actual rate of freight paid is another.

Senator PLATT. How can the shipper enforce it if there is no agreement or contract between him and the road that there shall be a rebate?

Mr. COOK. He enforces it by this means; the object of the railroad company in doing that is to secure business from the shipper.

#### SECRET CONTRACTS.

Senator HARRIS. Is there not invariably a secret contract between them?

Mr. COOK. There is an understanding, but it is not enforceable in a court of law.

Senator HARRIS. The understanding is that he is to pay less than the billed rate, as an inducement to the shipper to allow the railroad to secure his business?

Mr. COOK. Yes, sir.

Senator HARRIS. Hence there is that sort of agreement before the shipment takes place?

Mr. COOK. Yes, sir; it is more common than is generally known.

The CHAIRMAN. Do you think it ought to be prohibited?

Mr. COOK. Yes, sir; I think it is destroying honest railroads. That is my opinion.

Senator PLATT. Railroad building in this country has been largely done by a class of men who do not expect to operate the railroads.

Mr. COOK. Yes, sir; to a considerable extent.

Senator PLATT. Do you not think that their performances, which I assume by common consent are held to be not exactly fair and legitimate and honest, are largely confounded with the railway management?

Mr. COOK. Yes, sir; there are many honest railroad corporations, in my opinion, that are suffering from the doctrine of original sin transmitted to them by the men who built the railroads and who have not now a cent of interest in them.

Senator PLATT. And the doctrine of imputed sin also?

Mr. COOK. Yes, sir.

#### GRADUATED CHARGES.

I heard some testimony given here in relation to the question whether a charge should be graduated according to the distance run. I do not think that principle can be successfully maintained. I will give you the reasons, and I think I can give good reasons.

Senator HARRIS. You refer to the same rate per mile?

Mr. COOK. Yes, sir. I will cite an example as a reason, which I will make as definite as I can. Suppose a train of thirty cars is made up in the Northwestern depot—I will use the illustration with which I am most



familiar—for Council Bluffs. Such trains are not made up so as to make it necessary that all the cars should run at once; but here is one car left at Wheaton, another at Clinton, another at Cedar Rapids, another at Marshallton, the remainder to go to Council Bluffs.

The CHAIRMAN. They are dropped along at three or four or five stations?

Mr. COOK. Yes, sir; and there may be a good many more dropped along the line. I am using this simply for illustration. The expense of running the car that is filled for Council Bluffs you will necessarily see is very little more than the expense of the car running out 24 miles. A car only earns money while its wheels are rolling. This car that goes to Wheaton has to be left there to be unloaded, and it is taken up by the returning train to which it belongs. So that the difference between the expense of the car-load that is drawn through to Council Bluffs and the car-load that stops at Clinton is simply the wear and tear of the car and road and the additional fuel which it might have been necessary to expend in carrying that car through, and that difference is very small. That is all. I do not include the force of men. That does not count. You have to keep the men upon the train all the way through.

Senator HARRIS. Would it be, in your opinion, perfectly safe to the public interests, including the interests of the railroads, to prohibit by law the charging of more for a car that goes to Wheaton than for a car that goes to Council Bluffs?

Mr. COOK. I think there are cases in which it would not be.

The CHAIRMAN. You think it safe to insert a provision in the law providing that you shall not charge more for a shorter than for a longer distance? In this illustration Wheaton is only a little ways out, and Council Bluffs is several hundred miles away. There may be a station 15 miles this side of Council Bluffs where you would drop a car. Would it or not be safe to insert a provision prohibiting the charging of more for the car that you left at the nearest point to Council Bluffs than for the balance of the train which you left at the end of the run?

#### NECESSITY OF SEEMING DISCRIMINATION.

Mr. COOK. I can see a difficulty if you will let me illustrate it. I want to submit one thought to your consideration. The Northwestern Railroad, for instance, transports supplies to mining camps and to lumber camps in the northern part of Michigan—the northern peninsula. Those camps are engaged in mining iron and in getting out lumber. The character of the country is such that nearly all the supplies are carried there. If we run a train loaded with supplies for that country it has to return empty if it cannot take the products of that country—and it cannot take anything but lumber that I know of—it must come back empty. A rule which would prohibit the company from bringing down lumber to Chicago in cars which would otherwise return empty, would be disadvantageous equally both to the people there and to the railroad corporations. It competes, you see, with the water, and therefore it must give exceedingly low rates if it is to bring any lumber. It must give rates so low that while it might pay a very small profit on the train-load of lumber, if it was brought down in cars which would otherwise return empty and the railroad could not be maintained if that rate were adopted as a universal rule.

Senator PLATT. Suppose you had a commission and a law against undue preferences. Could that question of charging more for a short

than a long haul be safely left to the commission, instead of having an absolute statute applicable to all cases ?

Mr. COOK. I should think so.

Senator HARRIS. Suppose you take this case under the illustration I understood you to give just now. Take a car from Chicago to Council Bluffs, say at 10 cents a hundred, or at any rate of freight that may be fixed upon. Take another car loaded for a point 20 miles this side of Council Bluffs. Suppose at the latter point there are no return freights, and that to get return freights you will have to carry that empty car on to Council Bluffs. Even in that case is there any justification for charging more to carry that car to the point 20 miles this side of Council Bluffs than to carry a similar car from here to Council Bluffs ?

Mr. COOK. I do not see that there would be.

Senator HARRIS. Then, if that be true, is there any reason why it is not right and proper to provide that you shall not charge more for a short than for a long haul over the same line of road going in the same direction ?

Mr. COOK. Suppose there is an empty train at Escanaba. If you compel us to charge precisely as much to bring down that train-load of lumber as we charge to bring down a train-load of lumber from a non-competing point with the water, I can conceive that that can be injurious both to the shipper and to the carrier.

Senator HARRIS. We do not propose to compel you to charge as much, but we propose to prohibit you from charging more for the shorter haul.

Mr. COOK. I cannot get that distinction. These are things of which I have seen the practical workings. We have been compelled at some times not to take lumber when we could have carried it down at a little profit simply because we had the cars there.

The CHAIRMAN. Why was that ?

Mr. COOK. Because, under the rule, we have got to charge the same from Oshkosh or other competing points.

The CHAIRMAN. That is under the law of Wisconsin ?

Mr. COOK. Yes, sir, it was ; but not now. The people of Wisconsin have seen the difficulty and have remedied it.

Senator PLATT. It comes to this, then, that the general principle of not charging more for a short haul than for a long haul is a fair principle, but that there may be some instances where the rule ought to be relaxed ?

Mr. COOK. Yes, sir.

#### THE SHORT AND LONG HAUL.

The coal fields in this State afford a very plain illustration why that rule should not be adopted in all cases. It does not affect our road at all, but I have seen some such cases on other roads. Some of my brethren who occupy the same relation to other roads that I do to the Northwestern have been sorely exercised about it sometimes. It seems to me to be unreasonable. Here are two coal-fields within 5 or 10 miles of each other, one being, say, 10 miles farther away ; your law would give the entire market to the nearest coal-field. That seems to me to be absurd.

Senator HARRIS. Not if you go no further by the act than to provide that you shall not charge any more for the short than for the long haul.

Mr. COOK. Our State law did that.

## THE ILLINOIS LAW.

The CHAIRMAN. State exactly what our State law is on that subject now.

Mr. COOK. I do not know that I can; I can give you the words of the statute, but I think that has been modified by the supreme court of the State, and mollified by the rulings of the commission.

The CHAIRMAN. What is the law now, and the ruling?

Mr. COOK. I understand the statute to be that you shall not charge the same or any more for a short haul than you do for a longer haul; you may charge the same under suitable circumstances. That is my understanding of the ruling of the commissioners as I have read it.

## POOLING.

I think the laws should provide for regulating pools between the different lines; that it should be legalized; subject to the approval of the commissioners, and that it should be made public. There should be no secret pooling. I know it is a manifest fact to every railroad man that where there is open competition to large terminal points there is an expense incurred which is very injurious to the railroads, and consequently injurious to their customers. I assume it to be a fundamental principle that whatever you make the railroads pay you make their patrons pay, or you bankrupt the railroads. I think no discrimination should be allowed at all.

The CHAIRMAN. You mean unjust discrimination?

Mr. COOK. Yes, sir; no discrimination should be allowed between persons under the same circumstances. I think every person or firm should pay the same rates that are paid by others for the same service.

## THE LAW OF WHOLESALE AND RETAIL.

Senator PLATT. You do not believe the law of wholesale and retail applies in railroading?

Mr. COOK. I think the same service as to a wholesaler may not be the same service as to the retailer. I mean one man should not have a car-load for a less rate than another man should have it. My own opinion about it is, after the best reflection that I can give it, that the car-load must be the unit.

Senator HARRIS. The man shipping one car-load from this point to another should pay no more or less per car than the man who ships one hundred, as I understand you?

Mr. COOK. Yes, sir. I think there is this difficulty, gentlemen, about the system of railroading in this country. While you make it possible by drawbacks, rebates, or any other scheme of that sort for one road on account of its peculiar circumstances or conditions—it being a bankrupt road or a non-interest paying road, or because, in the opinion of its management, it can make war on any other road until it compels the other road to buy it—unless that can be cured in some way the fundamental defect of the railroad business and all the business that is intertwined with it cannot be cured. I do not see how that can be done except through a commission, and if you can give the commission power to do that you have reached the very center and nucleus of the evil in my mind.

The CHAIRMAN. You do not indicate how a commission could do it.

Mr. COOK. No, sir; I do not.

## PUBLICATION OF RATES.

Senator HARRIS. Would publication of rates and prohibiting the changing of rates, except upon reasonable notice, tend to reach that point?

Mr. COOK. That would go far toward it. It might be sufficient. It would help it; but I think any man who reflects upon the subject must necessarily see that if you allow one road that does not pay its interest to compel another road that does pay its interest to carry freight and passengers for less than a remunerative price, and necessarily to economize in every class of its expenditures, to pay its men low wages, to suffer its road to run down, then you have crippled not only the railroad interest but every interest connected with it.

I believe the Northwestern road employs some 12,000 men. Every change that affects the company seriously affects all those men, and all the men that furnish them with their living.

The CHAIRMAN. All who depend on them?

Mr. COOK. Yes, sir; and I have known myself cases where iron corporations have gone under where it seemed to me that would not have been the case if it had not been the fact that the railroads had to button up their pockets.

Senator HARRIS. They had to economize?

Mr. COOK. Yes, sir; and so with coal corporations. They are all intertwined and interlocked. I do not believe myself that the capital invested in railroad corporations and in the maintenance and carrying of those corporations can be affected seriously without producing precisely the same effect that a short crop in the hands of the farmer produces. Values are destroyed and business is upset.

## BASIS OF RAILROAD CHARGES.

The CHAIRMAN. Speaking of the question of charging a fair valuation, and of the difficulty of competing with those roads that are bankrupt and in the hands of receivers, what is the basis, in your judgment, of fixing a fair rate for the transportation of freight? Is it the amount of capital invested in the road, or what?

Mr. COOK. Not necessarily; but I think it should be the value of the road. I do not think there should be legislation on the part of Congress for the benefit of railroads.

The Congressional legislation, it seems to me, that could be justified, would be legislation to protect the interests of the entire community which are affected by railroad fluctuations. Congress could no more legislate specifically for railroads than it could legislate for any other industry of the country. But I think a railroad ought to be allowed to pay fair wages to its men, such as the same kind of labor commands in other business, and I think the managing men of a corporation should have salaries paid which are equal to those which are paid to other men who are accounted able to manage other large interests—the same wages that the same kind of talent and ability would command elsewhere. I think there should be a fund for the maintenance of railroads which could be reduced, in my opinion, to almost a certain percentage, which should be set aside for the maintenance of the railroads. The valuation of the property then should determine what amount ought to be paid to its stockholders.

## OVERCAPITALIZATION OF RAILROADS.

The CHAIRMAN. The reason I asked that question is that some roads are overcapitalized while others are not.

Mr. COOK. Some of them are overcapitalized. I think it would be a great thing if roads should not be built except upon capital paid in cash.

The CHAIRMAN. It is stated by Mr. Poor, I believe, and perhaps by some others, that nearly one-half the stock issued by railroads is fictitious, watered stock, and is not based upon any substance.

Mr. COOK. I believe there is error in that statement. I have investigated that subject in relation to our road. While it is true that there was, per mile, when the road was first organized, a much larger amount of stock, that stock has been constantly decreasing as the system has been extended, and in my opinion now the amount of stock per mile does not exceed the actual valuation of the entire line per mile.

The CHAIRMAN. So that the total indebtedness is really in the road?

Mr. COOK. Yes, sir. To make it plain, there may have been some water in the sponge at first, but the water has been absorbed by the accretions and additions which have been made in the most economical manner.

## A FAIR DIVIDEND.

Senator HARRIS. I should like to have your opinion upon this question: Assume that all these just and proper charges which you have just enumerated—the payment of employes, a fund for keeping the road in perfect repair, &c.—have been provided for. What, in your opinion, would be a fair and reasonable dividend over and above those expenses upon the actual capital invested in the road?

Mr. COOK. I do not know of any reason why capital should command any larger return in railroads than it would in any other enterprise about which there was no more risk. Perhaps there should be something allowed for risk.

Senator PLATT. What would you do in a case like that of the Baltimore and Ohio, which has a capital, as I understand it, of \$20,000,000, with a surplus of something like \$50,000,000?

Mr. COOK. I have never had anything to do with such a road.

Senator PLATT. It is the one exceptional case in the country, but that has been the policy of that road.

Mr. COOK. I would be very glad to deal with such a state of facts, but I have never been called upon to do so.

Senator HARRIS. To come back to the original question as applied to the general class of railroads and not to this exceptional case, I would like to have your opinion approximately, or as near as you can give it, as to what would be a fair dividend.

Mr. COOK. I should not have much confidence in my opinion, but if I had to fix it I should fix it at 7 per cent.

Senator HARRIS. I understood you to say that you would fix that amount of income by the present value of the road.

Mr. COOK. Yes, sir; road and equipment.

Senator HARRIS. Does not the question of value change? For instance, if you paid five times as much or twice as much for iron rails at the time you built the road as steel rails now could be purchased for, would not that affect the question of the present value of the road?

Mr. COOK. My idea would be that it should be founded upon its present value irrespective of its cost. I do not believe anything that is fic-

titions in railroads is profitable to the corporation or to the people. I would get down if I could to a square honest rule which should be inflexible everywhere. I believe the prosperity of both the public and the roads would be increased, and increased in even proportion.

Senator HARRIS. Your idea, then, would be to ascertain the actual value year by year?

Mr. COOK. Whenever you want to fix rates; whenever there should be a sufficient fluctuation to justify it.

Senator HARRIS. To determine the then actual value of the road?

Mr. COOK. Yes, sir.

Senator HARRIS. And you would undertake to fix rates with a view of paying a dividend of something like 7 per cent. after paying all just and proper charges?

Mr. COOK. Yes, sir. I would have sufficient to pay all fixed charges that might arise. They might vary a little. It would be uncertain exactly what they would be. Accidents occur, damages have to be paid, and all those things have to be considered. There could be no inflexible line drawn.

The CHAIRMAN. Do you remember whether the charter of the Illinois Central Railroad fixes the limit to dividends which shall be paid to stockholders?

Mr. COOK. I do not know.

Senator PLATT. Some of the roads, when chartered long ago, did fix the rate of dividends which might be paid to stockholders at 10 per cent.

Senator HARRIS. That they should not exceed that.

The CHAIRMAN. For instance, the New York Central.

Senator PLATT. The difference in the rate of interest between that time and now would bring it down to as low a figure as 7, would it not?

Mr. COOK. Yes, sir, I should think so.

Senator PLATT. I wish to ask a question, simply for information, as to the method of conducting the business of railroads. They have adopted the system so prevalent in commercial circles of sending out drummers, as they are called, to hunt up business.

Mr. COOK. Only where there is this undercutting, so far as I know.

The CHAIRMAN. At a point where they are struggling to control the business?

Mr. COOK. Yes, sir.

#### THE IOWA PROHIBITORY LAW.

Let me suggest a thing that has occurred in my own observation within a few days. I don't know how it could be got along with. The State of Iowa has passed a prohibitory liquor law, and among other things, they have provided that the railroads shall not carry any intoxicating liquors into Iowa. If they do, they are subjected to severe penalties. The supreme court of Iowa has declared that law constitutional.

Senator HARRIS. Does the law go to the extent of prohibiting the carrying of intoxicating liquors through the State of Iowa?

Mr. COOK. No, sir; but into the State, unless the consignee has a permit under the State law of Iowa to receive it.

The CHAIRMAN. Under police regulations?

Mr. COOK. A man brought a thousand casks of beer to the Northwestern road and said "Take this to Marshalltown." I said "I am afraid we will have to go to jail if we do." The law proposes to fine a railroad company heavily and to send its officers to jail; and unless they allow

us to appoint some cheap fellow especially for the purpose of going to jail, we do not want to take that risk.

Senator HARRIS. You wanted a proxy for that purpose?

Mr. COOK. A suit was brought in the Federal court here against the Northwestern road as a common carrier for refusing to transport it.

The CHAIRMAN. You did not take the goods, then?

Mr. COOK. No, sir; we did not take the goods. We refused to transport the beer from Chicago to Marshalltown. Now, there ought to be some way of straightening that out. I have been fighting this suit, but it does not seem to me that I ought to be compelled to do so.

Senator HARRIS. They leave you in the attitude of going to jail at one end of the line or of paying damages at the other end?

Mr. COOK. Yes, sir.

The CHAIRMAN. I am inclined to think you are in a box at either end. I do not believe you had the right to refuse to take it.

Mr. COOK. The court differs with you. I pleaded the Iowa law and the court sustained it. The case has gone up.

Senator PLATT. Has it gone up recently?

Mr. COOK. Yes, sir; within a month.

Senator PLATT. Mr. Ackerman, as I understood, said the competing railroads here in Chicago were in the habit of going about the city and gathering up freight. Do you know anything about it?

The CHAIRMAN. He meant by that that they would engage freight and haul it to their freight houses for nothing.

Mr. COOK. I do not know how that is.

Senator PLATT. That involves the keeping of a large number of horses and wagons, as an express company does. I never had heard of its being done before.

Mr. COOK. I cannot say anything about that.

#### ABNER M. WRIGHT'S STATEMENT.

ABNER M. WRIGHT, grain and provision merchant, appeared.

The CHAIRMAN. You have been listening to what has been said here, and I presume you understand the object of the investigation. We will be glad to have you go right on and make your own statement on this subject.

Mr. WRIGHT. I have some difficulty in presenting views on a subject so large as the one involved, especially when you have had men before you who have been all their lives in this business and who understand the working of it so much better than I do. What I shall say is simply as an outside business man talking with reference to any other business subject in which he is not technically familiar with all its particulars.

The CHAIRMAN. The committee is desirous of getting the views of all. In the first place, we want to have representative men come before us who represent the different business interests, to ascertain if there is any ground for complaint against the management and conduct of transportation companies, what those complaints are, and what the views of those representative men may be in reference to the curing of them.

Mr. WRIGHT. In looking over the circular which the committee has issued, and taking into consideration the various topics connected with it, it has seemed to me—it may probably be rather immodest to make suggestions—that the inquiry does not cover the whole subject.

The CHAIRMAN. It was not designed to especially. Those sugges-

tions were simply to indicate the general line of the investigation, and not with the intention of confining to those points any witness in his statement of views.

#### THE RAILROADS NEED PROTECTION.

Mr. WRIGHT. It strikes me that the primary difficulty which you are considering here arises from a condition of things which the scope of the inquiry does not cover. That is, it seems to me the railroads need protection more than the people do; or that the stockholders or investors in railroads are the parties who have been the original sufferers, and who are to-day the greatest sufferers; and that that condition of things is what has brought the matter to its present unfortunate condition. I refer to the whole railroad interest. It seems to me also that we are generally suffering very little from exactions and extortions from railroads.

#### FEW EXACTIONS AND EXTORTIONS.

The CHAIRMAN. That is your judgment as a man dealing with railroads and shipping products?

Mr. WRIGHT. Yes, sir; I speak from my acquaintance with them. I have been dealing with railroads now for more than twenty-five years on the board. I have been constantly using the roads both East and West. I think all the evils that have been complained of in regard to transportation and in regard to the conduct of the railroads are being corrected more rapidly and more effectually than any legislation could correct them. I do not know of any abuses so far as charges of extortion are concerned that are not being met either voluntarily by the railroads or else overcome by means of competition.

#### RAILROAD WRECKING.

I regard the carrying business as one of the great branches of industry of the country, and I believe in treating it as we do all other industries—putting it upon its own basis, and allowing competition and experience in the main to govern the business. Of course all kinds of business are controlled more or less by law, and I suppose the transportation business will likewise be controlled by law. But I do not know that I should recommend any radical legislation for the correction of any of the remaining abuses except in the protection of railroads against illegitimate competition, and the protection of bondholders and stockholders against swindling investments in the way of railroads—against railroad wrecking. I think we need some national laws in regard to that matter.

The CHAIRMAN. Have you thought sufficiently about it to have any definite idea of the kind of legislation that ought to be passed to protect those interests?

#### RAILROADS AND BANKS.

Mr. WRIGHT. The two interests are dissimilar in a great many respects, and are similar in a great many others. That is, the railroad interests and banking interests. They are both in a measure public institutions. I believe those railroads of the country engaged in interstate commerce—and by that I mean all railroads which make contracts over their own lines, communicating with other States; I should call these interstate roads—can be made to come under that general law,



I mean all those railroads making contracts in one State to carry freight to another. I believe all those railroads should be under a certain general supervision by the Government; similar, perhaps—although I would not want it to be exactly like it—to the control over the national banks. I think that ought to be done for the benefit of investors in railroads, both the bondholders and the stockholders. The public credit of the country requires it. The United States railroad securities have become a by-word in all the bourses of Europe, simply because of the manner in which those corporations are managed or mismanaged here.

The CHAIRMAN. I do not know that I fully understand you. Here is a railroad chartered by the State which runs across the State, for instance, to the eastern State line, and there connects with some other road that is chartered by Indiana. Those roads form a consolidation, perhaps, and finally become an interstate line. The National Government has no control over the charter of the road by the State of Illinois, neither has it over the charter of the road by the State of Indiana. The reason that the stocks of those railroads have become a by-word, as you say, in the markets of Europe, is because they have been issued and issued and issued again, one batch of stock upon another, until the corporation has issued four or five times as much stock perhaps as it ought to. Is it your idea to have the General Government prevent the issuance of any more stock than there ought to be, or what is your idea exactly?

#### THE EXTENT OF LEGISLATION.

Mr. WRIGHT. I do not know whether it would be within the province of the General Government to take so broad a view of the subject as that, but it strikes me that a road which was making contracts for freights from one State to another ought to be considered an interstate road—if it communicates with another road.

The CHAIRMAN. Still, under the Constitution, the National Government can only regulate traffic between the States over those roads. The question is whether we have any power to do anything beyond that.

Mr. WRIGHT. I do not know. It seems to me when the Government takes entire control of and extends its authority over the banking interests in the manner in which it does, there ought to be some way by which it can get at these roads which are making contracts between one State and another. I leave it to you lawyers to determine that question. But if it cannot be reached by Government legislation, I should be glad to see it reached by State legislation.

#### NECESSITY FOR GOVERNMENT SUPERVISION.

As I said before, I think railroads ought to be under the supervision of some Government authority in that respect. They should not be allowed to do illegitimate business. A road that is carrying on illegitimate competition against other roads and ruining investments ought to be wound up as a bank is wound up which is carrying on an unprofitable and ruinous business to itself and to its customers.

#### OVERBUILDING AND IMPROPER COMPETITION.

The CHAIRMAN. Your idea of the evil, in the first place, is that they are ruining one another by improper competition, and that the Government ought to do something that would prevent that?

Mr. WRIGHT. Yes, sir; either the State or the National Government; I do not say which. I think the primary trouble with all this railroad question is that railroads have been constructed not for the purpose of affording transportation facilities for the country, but for the purpose of making money by men who did not furnish the money to build the roads.

The CHAIRMAN. For the purpose of making money in the construction?

#### ROADS BUILT ON ACTUAL CASH.

Mr. WRIGHT. They are constructed almost entirely upon credit. I would not allow a railroad company (whether national or State; I do not pretend to say which) to be built unless it was built upon actual capital any more than I would allow a bank to undertake to do business unless its capital stock was subscribed for and paid in; or, at all events, a considerable portion of it.

Senator PLATT. Entirely paid in under the national banking law?

Mr. WRIGHT. Under the national banking law it is. Of course that would not correct all the evils we are complaining of now because these roads are now a fact. A great many of them have been built, and the question is how to get along with them until the country builds up to them. But for the future it seems to me there ought to be a stop put to this balloon railroad building. The evil ought not to go on any longer.

Senator PLATT. It ought not in your judgment to be possible for a man or a company of men to build a railroad without a dollar of their own money and to get rich in building it?

Mr. WRIGHT. No, sir; I believe railroads should be built for the benefit of legitimate capital and for the benefit of the country, and not for the benefit of a few speculators, who build them simply either to make money out of them or to wreck them.

#### REGULATION AS TO BUILDING.

The CHAIRMAN. You think the Government, State or national, ought to say when and how and where the railroad should be built?

Mr. WRIGHT. I think there ought to be a general law prescribing that it should not be built unless it was built on actual capital as with the banks. I think the Government, perhaps, could gain control of these roads by hostile legislation toward those roads that did not conform to its requirements. That is, a road should not be engaged in interstate commerce that did not comply with all those conditions. What I say is more in the way, perhaps, of suggesting something, without putting down anything definite. I have nothing more definite in my mind to say in regard to these things except that that feature of the case has occurred to me very often—that the trouble was not so much in the unwillingness of the roads to do what is right as in the unfortunate position in which they find themselves placed by the construction of these wild roads.

The CHAIRMAN. You think there are more roads than are necessary?

Mr. WRIGHT. Yes.

#### REGULATION AS TO ROADS IN TERRITORIES.

Senator PLATT. The National Government is continually asked to charter railroads in Territories. It could certainly exercise a wise

supervision as to where railroads should be built in the Territories, and wherever it is asked to charter a road it could see that the charter was so framed that the road should be built on sound business principles. Do you not think if that power were exercised by the Government where it has a right to charter a road it would have a great effect upon the building of roads in a State where it perhaps might not exercise that power?

Mr. WRIGHT. Yes, sir; I do. I think it would have a salutary effect upon legislation, if those matters belong to the States entirely. But I would suggest that the National Government can hedge these roads about which are built within the States and under State charges so that they will be obliged to conform to those general principles, if they do any interstate commerce. Prohibit roads which are built under certain conditions from doing interstate business.

#### EXTORTION AND UNJUST DISCRIMINATION.

Senator PLATT. Or regulate the traffic that they do with reference to what a road should have cost in its building.

Mr. WRIGHT. Yes, sir; in regard to your specific interrogatories, or the ideas suggested in the various parts of the circular, I should say in general terms that the best method of preventing the practice of extortion and unjust discrimination by corporations engaged in interstate commerce is legitimate competition. It is the best regulator of all kinds of business, and I do not look at the railroad business as an exception to other kinds.

#### COMPETITION THE REGULATOR.

Senator PLATT. So far as extortion is concerned, you say competition has had the result of preventing it. Will competition prevent unjust discrimination, or is not that calculated rather to encourage discrimination?

Mr. WRIGHT. I think not; no more than in any other line of business. It is not necessary to legislate in regard to almost any other kind of business. Pretty much everything else takes care of itself under the laws of trade. The laws of trade really govern everything. I understand the law to be but the expression of the law of trade, whatever it is. I do not understand that the English law is anything more than that. A common law is the law that prevails in respect to any particular subject that is covered. In regard to trade, it establishes its own laws, and any attempt to thwart the laws of trade is like attempting to make water run up hill. You can pump it up, but it is up hill business. It interferes with trade; it does not promote trade. There may be enough impetus in trade to overcome those obstacles, and prosperity may be great enough to overcome a great many obstacles; still that is not an argument in favor of obstruction. Obstructions are the same; whether they are overcome or not.

#### REBATES.

Senator PLATT. You heard Mr. Cook this morning. He is a railroad man. I understood him to say that one of the greatest of evils of railroad management at the present time is the practice of allowing rebates, which I understood him to say was the direct result of competition between railroads. Do you think rebates are right?

Mr. WRIGHT. I think under such circumstances they are right. I think it should be largely left to the discretion of the road.

Senator PLATT. If you were in the commission business, shipping grain to New York, and you could get a better rate to the extent of 1 cent a bushel to New York than your neighbor, you would have a pretty decided advantage over him, would you not?

Mr. WRIGHT. I do not get that.

Senator PLATT. But suppose you did?

Mr. WRIGHT. It is hardly a supposable case. If one man can get a rebate another man can.

#### REBATES FAIL IN THEIR OBJECT.

The CHAIRMAN. What is the object of getting a rebate if it is given to all alike?

Mr. WRIGHT. I do not know that there is any object in doing it. It does not accomplish the end they seek. One may get it one day, but there are half a dozen roads shipping from here, and if one road finds another giving a rebate, it meets that rebate.

The CHAIRMAN. Would it not be better that none of them should give a rebate, and that they should come down to a straightforward, open, honest business?

Mr. WRIGHT. It is exactly the way it is in every line of trade. When business is slack they all do it. A manufacturer can better than not afford to sell a certain line of goods at a lower price when business is dull. Nobody finds any fault in any line of business where a concession is obtained. A man can go into the wholesale stores and buy a large line of goods at a better price than a man who buys a small line. The laws of trade are made by trade itself, and the Government has nothing to do with it. We look upon the Government as a servant rather than as a master. The functions of government are simply to provide the machinery by which the general laws are carried out.

#### DIFFERENCE BETWEEN CORPORATIONS AND INDIVIDUALS.

Senator PLATT. But common carriers have always been understood to be subject to Government regulations in a different way from those who were transacting other kinds of business. Therefore does not the Government become, to some extent, responsible for whatever is done by the common carrier which results in inequality as between its citizens?

Mr. WRIGHT. I consider that the laws governing common carriers are pretty well defined already. It might be well, perhaps, to simplify the machinery by which those redresses are obtained.

Senator PLATT. Is it not true that under the laws relating to common carriers the courts would give damages to a shipper who was refused equal facilities and accommodations with other shippers, if the shipper chose to pursue his remedy?

Mr. WRIGHT. That may be the law abstractly; but we find a great many modifications of the old English law in modern commerce. There are laws in regard to forestalling markets that were once enforced. They are laws now as much as they were then, except in this respect: that they are not laws of merchants now, and consequently they are not enforced. The merchants make the law, and not the Government.

Senator PLATT. You are inclined to think that the common-law provisions against combinations to depress or lower prices would make havoc here in Chicago if carried out?

Mr. WRIGHT. No, I do not admit anything of that kind. On the contrary, I think the public institutions here, railroads and others, are as law-abiding as anywhere. They contribute as much to the general prosperity of the country as any like number of corporations anywhere.

Senator PLATT. As you say, there have been laws for hundreds of years against combinations of men to raise or depress prices. Yet it is true that men do combine for that purpose.

Mr. WRIGHT. You admit that the law is practically obsolete?

Senator PLATT. I do not admit that it ought to be.

Mr. WRIGHT. The law that is not any longer enforced, I should say, is practically repealed by common consent. The law was a creation by common consent of merchants; the common consent of merchants has repealed that law, really, and I do not see how the courts could do otherwise than to give expression to that general edict of the commercial world.

The CHAIRMAN. It would hardly do to take the ground, whenever the community by general consent concluded that the law ought not to be enforced, that it should be thereby set aside without any repealing act by the power that made it.

Mr. WRIGHT. No; but when all communities in all Christendom act in that manner, I think it is a pretty potent expression in regard to it. We know it is so in Paris and Berlin and Loudon and Liverpool and New York and Chicago, and all intermediate places. It is so all over the world; the law governing common carriers was of course the expression of practices that prevailed long before railroads were thought of; and it would not be singular if, in remodeling the commerce of the world, some modifications of the laws of common carriers should be found necessary, and should even be adopted without requiring any statute law to justify or to sanction the change.

Senator PLATT. On what really do you base your idea that the railroads ought to be restrained from competition so that they should not hurt themselves? If the law of competition is the right law why should they not go on and hurt themselves if they wish to?

#### OBJECTION TO BONDING RAILROADS.

Mr. WRIGHT. I am quite willing that all the roads should be built that can be built with money, or with a reasonable capital, that will make that a responsible road. But I am not willing that roads should be built on capital which must pay at all events 6 or 7 per cent., interest on the bonds. A railroad company will pay in a few hundred thousand dollars, and then borrow as many millions, we will say, at 6 per cent. interest, bonded indebtedness. It is the first law of that road, it is the first requirement, that it must earn 6 per cent. to pay its bondholders; then it must earn something besides for its stockholders. Money is not worth 6 per cent. at all times; sometimes it is not worth anything.

#### RAILROAD PROFITS ON SAME BASIS AS OTHER BUSINESS.

A railroad company ought not to receive compensation above what other interests receive. If we have a series of bad crops, and business becomes dull and railroad companies cannot earn 6 per cent., the people ought not to be required to pay 6 per cent. on that bonded indebtedness. Perhaps its business may not pay a cent on its bonded indebtedness.

The theory that a railroad company must pay 6 per cent. on its construction, it seems to me, is all wrong. It must not pay it when it cannot pay it. I do not know how to make all kinds of business profitable through a long series of years. There are some years when money is lost and when profits cannot be made.

The CHAIRMAN. You have not been able to find out how to do that in your own business?

Mr. WRIGHT. That is so, in a great many years.

#### REASONABLENESS OF RATES.

To the second question, the reasonableness of the rates now charged by such corporations for local and through traffic, I should say it depends upon the relative conditions of the interests involved. You cannot tell what they are. It depends upon the railroads and the shippers. They have to determine what are reasonable rates.

#### PUBLICITY OF RATES.

As to whether publicity of rates should be required by law, and whether changes of rates without public notice should be prohibited, and what is the best method of securing uniformity and stability of rates, I think I should say, yes; and that there should be maximum rates.

The CHAIRMAN. What do you mean by the publicity of maximum rates?

Mr. WRIGHT. That they should have a schedule upon which all could ship, but that they should not be absolutely restrained to that if they find it necessary to take it for less. It should be just as we do business in other respects.

Senator PLATT. That the roads should be permitted to give a favored shipper a little less rate?

Mr. WRIGHT. No, sir; I would allow the law to state that any man who should ship a like amount should have the same rate; that is, shipping like quantities under like conditions.

#### WHOLESALE AND RETAIL PRINCIPLE.

The CHAIRMAN. What would you say on the question of what the relative cost should be if I were to ship a car-load and you were to ship 50 car-loads of the same product?

Mr. WRIGHT. I should say that would depend entirely upon circumstances. I think you, as a railroad man, and I, as a shipper, could come together on that question.

The CHAIRMAN. As a matter of right, in your judgment, ought the man who ships the larger number of cars to have the privilege of shipping it at a less rate per car than the man who ships one car?

Mr. WRIGHT. Yes, sir; if they would allow everybody else who wants to ship a corresponding quantity the same rate.

Senator PLATT. Then they ought to make published rates for quantities, should they not, as well as maximum rates?

#### FLEXIBILITY OF RATES.

Mr. WRIGHT. I should not say so always, because the ability to take quantities would depend upon the amount of rolling stock that was

available at certain times. A railroad may have a large number of cars on the track here (some of them frequently have a thousand cars at a time), and they want to send them east. I do not think it is business to require those men to demand retail prices for that, and dole it all out in car-load lots, if they can get a thousand car-loads at a time. If anybody wants to ship a thousand car-loads and the shipper can make it an object to the roads, I think it ought to be settled between the roads and the shipper. It is so with everything else; why not let it be so with railroads?

The CHAIRMAN. In view of the fact that the transportation company is the creature of the State, having been given the right of domain, and all that, the question is whether it should not be governed by a different principle from that governing a man engaged in his own business on his own lot and carrying on his business with his own money.

#### SPECIAL PRIVILEGES AND OBLIGATIONS.

Mr. WRIGHT. It ought to be the money of the men who invest in the railroads.

The CHAIRMAN. That may be, so far as the money is concerned; but you recognize the fact that the railroad company, for instance, which is given a charter by the State or the nation, has procured under the law the right of way, and occupies a little different position from the man engaged in private business, do you not?

Mr. WRIGHT. Yes, sir; I do in this respect: They owe something for the right of way which they have. I do not understand that they have any right of domain, but they have a certain right of way, or a certain preference. But, in order to secure that, they have agreed to build a road. They have put their own money into it. They ought to have some protection when they invest a large amount of money in an enterprise of that kind. We protect other things. For instance, if a man, in the wealth of his inventive genius, can produce a valuable device, we give him exclusive control of it.

The CHAIRMAN. We are not undertaking to take away any of the rights that belong to him, neither is it proposed that the railroad company shall not be protected as well as other interests; but the question before us is, just what sort of legislation Congress ought to enact that will not only protect the railroad company, but the people, in dealing with it, as well.

Mr. WRIGHT. If you start upon that basis, we did not so infer from this investigation. That is why I said I did not think it began in the right place. If you will extend it so as to cover not only the rights of the railroads but the rights of the people, then I can answer all of those questions that follow in your circular without so much qualification as I have given to the others.

#### SCOPE OF INVESTIGATION.

The CHAIRMAN. Here is a system of railroads actually existing in the country, and a good many people believe that Congress ought to enact some legislation looking to the regulation of commerce among the States, under the provision of the Constitution giving Congress that authority. What we are trying to ascertain is, in the first place, whether there is any call upon Congress for such legislation in the fact that there are actual complaints made by people of wrongs committed against them by these railroad companies; if so, what those wrongs are,

and what kind of legislation ought to be passed to protect the people, and to regulate commerce among the States in the interests of the people, and at the same time not to do an injury to the transportation companies.

#### LEAST POSSIBLE LEGISLATION.

Mr. WRIGHT. I should say to that, do just as little legislating as you can. Pass just as few laws as you can, and cover the absolutely necessary points to be covered.

The CHAIRMAN. What are those points?

Mr. WRIGHT. As I said before, the people have nothing to complain of to-day. I can ship grain to-day at 10 cents a hundred to New York. That is 6 cents a bushel on wheat from here to New York by rail. As far as the people are concerned, they have nothing to complain of in that.

The CHAIRMAN. Suppose a man down on the prairie 50 miles from Chicago cannot ship at so low a rate, and yet he is just as near to New York as you are?

#### ADVANTAGES OF LOCATION.

Mr. WRIGHT. The Government cannot do any more than Providence has done for that place. Providence has not located that man in Chicago, and the Government cannot locate him there.

Senator PLATT. But the Government has located the railroads.

Mr. WRIGHT. I know; but Providence has located this line of water communication around by the lakes, and we have made an artificial connection with New York. It made it necessary for all these various roads to be constructed right here to Chicago. Now you cannot equalize the advantages of the man who lives at Chicago and the man who lives at an interior point 200 miles away.

#### LONG AND SHORT HAUL.

The CHAIRMAN. Is it not the duty of the Government to step in and interfere, if these transportation companies between the West and the East are charging 20 cents a hundred at Chicago, for instance, and 30 cents for the same or a shorter distance 25 miles from here?

Mr. WRIGHT. I do not know why it should in that respect any more than in any other respect. It is not the province of the Government.

The CHAIRMAN. Is not that an injustice to the man 50 miles from here?

Mr. WRIGHT. No, sir; it is not, because the man who happens to live there is unfortunately located.

The CHAIRMAN. He is unfortunately located, perhaps, if the Government allows him to be swindled by the transportation company.

Mr. WRIGHT. It is no swindling.

The CHAIRMAN. It is in reference to that that I want to learn a little more of your views.

Mr. WRIGHT. It is no swindle on the part of Providence when Providence does not bestow the same gifts on every man.

The CHAIRMAN. Providence cannot bring everything to Chicago, and it would be hard for some people if it could. That is one of the very questions; whether the Government of the United States in dealing with this subject of regulating commerce among the States ought to stand by, if such is the fact—and I am not asserting that it is so—and



allow people out in the country to be charged for the same distance twice as much for shipping the same material as is charged from Chicago? The question is, is that right, and should the Government allow it?

Mr. WRIGHT. Under certain circumstances it is right. Suppose the cars all come here to Chicago loaded, while they are not loaded for the interior towns?

The CHAIRMAN. I can see that there is a difference, and that all those considerations ought to be taken into account, such as the question of terminal expenses and the carrying of empty cars back and forth. But when that is all considered I ask you whether or not the man 50 miles out in the country ought not to fare as well as the man here in Chicago?

Mr. WRIGHT. He ought to, if he can. I believe in his doing the best he can all the time under the conditions in which he is placed by nature; but that cannot equalize the thing. It is impossible. The legislature cannot do it. It may attempt to do it, but it will fail in all those efforts.

The CHAIRMAN. But it seems to me where there is a palpable injustice—

Mr. WRIGHT (interrupting). There is no injustice.

The CHAIRMAN (continuing). That Congress can remedy that injustice to some extent; and if it can remedy it, it seems to me it ought to do so.

Mr. WRIGHT. Why should not Congress regulate the injustice existing towards that man who lives down there? He cannot sell his land for more than \$35 an acre, while a man up here in Chicago can sell an acre for as much as the other man can get for his entire farm.

The CHAIRMAN. That is putting these corporations that are quasi political corporations on the basis of the individual. It is not a parallel case.

Mr. WRIGHT. So far as their rights are concerned we are bound to protect the rights of one as jealously as of another.

The CHAIRMAN. You know that courts have determined that a common carrier occupies an entirely different attitude toward the public from a private individual doing business on his own account.

Mr. WRIGHT. I know that is the highest civil tribunal you can go to; but still the courts may repeat the old English law twenty times a day and the poor courts are powerless to govern commerce in that respect.

The CHAIRMAN. So that you think business men can go on and do as they have a mind to?

Mr. WRIGHT. The business world makes its own laws, unless the hand of the Government becomes so oppressive as to entirely extinguish business as it has in Mexico. You may entirely suppress business, as they do there, but you must either allow business to go its own way or it is not going at all. You will either kill it, or it will go in its own channels.

Senator FLATT. Did it ever occur to you that when business makes its own laws, and the people cannot stand them, the people will destroy the Government?

Mr. WRIGHT. Business is done upon laws of equity, as between business men. It makes its own laws in that way. It cannot make an unjust law.

The CHAIRMAN. You admit that there has been a good deal of unrighteous conduct in the construction of railroads?

Mr. WRIGHT. Undoubtedly.

Senator PLATT. That is business.

Mr. WRIGHT. I would oppose that in every way I could. I would put the thing on a different basis, and let it take care of itself.

The CHAIRMAN. But putting it there is interfering in business.

Mr. WRIGHT. I do not know that it is. If you prevent a man from stealing your coat you are not naturally interfering with his business.

The CHAIRMAN. I do not know about that. A convict in a penitentiary told me once that it was.

Mr. WRIGHT. But here are a dozen men who wish to build a railroad. Let them build all the railroads they can if they have money enough to build them with. If they put in money enough they will manage those roads so that they will not go to destroying each other.

The CHAIRMAN. Congress has felt compelled to pass some kind of legislation looking to the control of interstate commerce, and we are sent out to find out what kind of legislation Congress can afford to adopt without injuring the railroad business or the outside public.

#### A DEPARTMENT OF COMMERCE.

Mr. WRIGHT. I think it would be well for the Government to have and exercise a certain control in this interstate commerce business. I believe it would be to the interest of the country if there were a department of commerce established, like the Department of the Interior, for instance, for the purpose of overlooking this vast internal commercial business of the country. It has assumed vast proportions now. It is one of the largest interests of the country, and it really demands the attention of a department of the country. How the organization should be created I do not know. I think it would be well if that department, perhaps, should have some control over the railroad interest of the country. I think there is some such department in Great Britain. They have a department there which has judicial power.

The CHAIRMAN. They have a commission which has judicial power to pass upon a question and to adjudge it and enforce its judgment—a sort of railroad court.

Mr. WRIGHT. I think a similar organization in this country would be advantageous. I do not think I would create a commission without power. It would not amount to anything. It would be a kind of fifth wheel.

#### PUBLICITY OF RATES.

The CHAIRMAN. You believe in publicity of rates?

Mr. WRIGHT. I do; yes, sir.

The CHAIRMAN. As I recollect it, you do not believe that there ought to be any absolute prohibition by law of the payment of drawbacks or rebates?

Mr. WRIGHT. I do not think that ought to be interfered with specifically by statute.

The CHAIRMAN. Do you believe there ought to be any legislation in reference to pooling?

#### PROHIBITION OF POOLS.

Mr. WRIGHT. I think pooling ought to be prohibited absolutely, or at all events as soon as possible, so that there shall not be any of these balloon roads that are taking freights for less than they can afford to carry them. It may be necessary to continue this pooling business

some time longer, but a great many of these roads ought to be wound up and put into bankruptcy, just as a national bank would be.

The CHAIRMAN. Suppose you did that, what would be done then? The road would still be there.

Mr. WRIGHT. The road would be there, but it would fall, perhaps, into the hands of responsible parties.

The CHAIRMAN. You would get rid of the watered stock and the inflated debt?

#### "BALLOON" RAILROAD BUILDING.

Mr. WRIGHT. Yes, sir. We are suffering more now from balloon railroad building than anything else. It is almost the sole cause of the present panic. The country is prosperous everywhere. There is a great deal of money and a good deal of wealth everywhere, but at the same time there is a process of liquidation going on to-day. It is on account of that liquidation that we are having hard times now.

The CHAIRMAN. When we get to the end of that liquidation, and get that water all squeezed out, the country will be better off, will it not?

Mr. WRIGHT. Undoubtedly. After we get that water all squeezed out, I should be in favor of coming down to this plan of letting the legitimate railroads manage their business, but under certain restrictions such as you place over banks. I do not know what Congress can do in that respect.

The CHAIRMAN. What is your judgment on the question of waterways in competition with railroads?

#### WATERWAYS.

Mr. WRIGHT. I think they ought to be encouraged and promoted.

The CHAIRMAN. Have you ever given any particular consideration to the Hennepin Canal scheme?

Mr. WRIGHT. Yes, sir, I have.

The CHAIRMAN. What do you think of that?

Mr. WRIGHT. I regard it as a completion of the system that is already commenced from the Atlantic Ocean to the Gulf of Mexico. There is only the little gap between Rock Island and Hennepin now to be built to complete a perfect waterway between those points.

#### HENNEPIN CANAL.

The CHAIRMAN. You regard that scheme as important to the commerce of the country, do you?

Mr. WRIGHT. I regard it as important to the commerce and to the agriculture of the country, as well as to all the material interests of the country; not on account of the amount of work it could do (because I think it would be comparatively little), but on account of its being a regulator in the matter of freights.

The CHAIRMAN. What is your position on the question of the National Government undertaking the work?

Mr. WRIGHT. It is a question of national importance. It is not of local importance particularly.

The CHAIRMAN. What is your judgment as to the charging no more for a short haul than for a long haul?

#### LONG AND SHORT HAUL.

Mr. WRIGHT. Mr. Cook mentioned this morning the dropping of a car-load 50 miles this side of Council Bluffs. I do not conceive that a

railroad can afford to do that work as cheaply as it can afford to take the car through to Council Bluffs, because the return freight is pretty much all from Council Bluffs. If you leave a car at that point it stays empty on the track after it is unloaded. I think the roads are entitled to more pay for that service. You will see wherein the loss would occur to the railroad company if it left its car at a point where it could not be loaded with return freight.

The CHAIRMAN. In that case I suppose the effect would be that the railroad would have to send after the car and take it to Council Bluffs after it was unloaded in order to put something into it to be brought back.

Mr. WRIGHT. The facilities for unloading at these way stations are not as good as they are at the terminal stations, and it costs more to handle the stuff at the way stations than at the terminal stations.

#### GUSTAVUS F. SWIFT'S STATEMENT.

GUSTAVUS F. SWIFT, dressed-beef dealer, appeared.

The CHAIRMAN. What is your business?

Mr. SWIFT. I am a dealer in hogs, cattle, and sheep, and slaughterer and shipper of the same.

The CHAIRMAN. Where do you ship to?

Mr. SWIFT. To all New England States, and across the continent and across to Europe.

The CHAIRMAN. Do you ship live stock, or do you ship meat after it is dressed?

Mr. SWIFT. Principally dressed meats. My live-stock business is in the minority.

The CHAIRMAN. I will ask you whether your experience as a business man, engaged as you have been in that business with railroad companies and transportation companies, leads you to believe that there are evils connected with the transportation of freight, &c., which ought to be remedied. If so, state what those evils are, and what your views are in relation to the remedy.

Mr. SWIFT. Yes, sir; I think there are evils.

The CHAIRMAN. What are they?

#### POOLING.

Mr. SWIFT. I think it is detrimental that the railroads have been running together under the pooling business for the last few years.

The CHAIRMAN. On what account, and in what way?

Mr. SWIFT. I think it has been detrimental to the shippers and to themselves, both. I think their trying to do business under pool protection has hastened the demoralizing state of affairs in railroad circles.

The CHAIRMAN. You think the existence of the pooling system has tended to demoralize the whole business of transportation?

Mr. SWIFT. With the eastern roads, at any rate.

The CHAIRMAN. You mean the railroads running from here to New York or to the seaboard?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. Are there other persons dealing in the shipment of dressed meats in this city?

Mr. SWIFT. There are several large firms.

## DISCRIMINATIONS IN CATTLE RATES.

The CHAIRMAN. As a matter of fact, do you know of any discriminations by the transportation companies against gentlemen engaged in the same business?

Mr. SWIFT. Yes, sir; I have known of it.

The CHAIRMAN. Will you tell us what you know about that?

Mr. SWIFT. This matter of the shipment of dressed meats has been a subject of discussion in railroad circles for years. The first that I have ever known of its being established on a regular basis of a live-stock rate was when the rate was made once and fifty. The rate on dressed meat in carcass, shipped in the refrigerator cars, was established as once and fifty on the net cattle rate.

The CHAIRMAN. What do you mean by once and fifty?

Mr. SWIFT. I mean if the cattle rate to the seaboard was 20 cents a hundred the rate on dressed beef in car-load lots would be 20, and 50 per cent. added would make it 30 cents per hundred. That ran on for years. It was afterwards changed to once and sixty. That was the net cattle rate which really remained in force until December 8, 1884. In January, 1884, it was ascertained that certain roads had been carrying cattle at a decided cut rate for months, and consequently it entitled the dressed-beef shippers to cut rates.

The CHAIRMAN. By cattle you mean live stock?

Mr. SWIFT. Yes, sir; they had been carrying live stock at cut rates, which consequently would entitle the dressed-beef shippers to cut rates. Some of the roads settled on those cut rates. Some as yet have refused to settle.

Senator PLATT. But that had been going on some time before the change.

Mr. SWIFT. That discrimination was proved to have existed for seven months before it was clearly ascertained. Some roads settled on the established fact of cattle rates having been cut. One road I know of settled with one dressed-beef shipper and did not with another. It refused to.

## DRESSED-BEEF TRADE.

The CHAIRMAN. How much more dressed beef can you carry in a car than of live stock?

Mr. SWIFT. As a rule, we load about 21,000 pounds of dressed beef in a car.

The CHAIRMAN. How much when shipped alive?

Mr. SWIFT. Live cattle are shipped as a rule 22,000 pounds in a car.

The CHAIRMAN. Which would amount to how much more than dressed beef?

Mr. SWIFT. Such cattle as are being shipped east would net about 56 or 57 per cent; perhaps 57 per cent. of the live weight.

## RELATIVE CHARGES ON DRESSED BEEF AND LIVE CATTLE.

Senator PLATT. I do not suppose it is exactly important to this discussion, but why does a railroad charge more per car for dressed beef than it charges for live cattle? Is not the risk of shipping live cattle much greater than with dressed beef?

Mr. SWIFT. Yes, sir; it is. They have seemed to get at it by the fact that the shipper has certain expenses to contend with.

Senator PLATT. If he shipped live cattle?

Mr. SWIFT. Yes, sir; a shipper of live cattle has certain expenses and exigencies and terminal charges to contend with. The railroad experts have figured it out to see how high a rate the shipper of dressed beef could stand. As they say, it is for the purpose of putting his product at the East on an equal footing with the live-cattle shipper. That is the theory that it has been worked and figured on.

The CHAIRMAN. Which is the most prevalent way of shipping beef now—on foot or dressed—from here to New York and Boston?

Mr. SWIFT. Markets vary. I think the Boston markets are being supplied to-day more largely with refrigerator beef—that is, Chicago beef, if you term it so—than by home dressed cattle; while the reverse is the case with New York and Philadelphia.

The CHAIRMAN. They ship more live cattle to those markets than they do dressed beef?

Mr. SWIFT. Yes, sir.

Senator PLATT. Let me refer a moment to that rate for dressed beef as compared with the rate for live cattle. It does not cost the railroad any more to haul a car of dressed beef to New York or Boston than to haul a car of live animals, does it? Who pays for caring for the car of live animals along the road?

Mr. SWIFT. The shipper. The railways furnish transportation for a man in charge. It is the usual custom when a party ships live cattle, to ship from ten to fourteen or sixteen cars, and to send a shipper in charge who has the supervision of unloading at station.

#### INJUSTICE TO THE CONSUMING COMMUNITY.

Senator PLATT. Do you recognize the justice of making the freight rate on dressed beef to New York 50 or 60 per cent. higher than the rate on live cattle per car?

Mr. SWIFT. I think it is a great injustice to the consuming community.

The CHAIRMAN. You say you can ship about 21,000 pounds of dressed beef in a refrigerator car. The railroad must carry a pretty large quantity of ice for that, does it not?

Mr. SWIFT. They do.

The CHAIRMAN. Do you have to pay for that?

Mr. SWIFT. No, sir.

Senator PLATT. Who furnishes the refrigerator cars?

Mr. SWIFT. The shipper, as a rule, furnishes the car with ice.

The CHAIRMAN. The car belongs to the railroad, does it not?

Mr. SWIFT. In many cases, and in some cases not.

Senator PLATT. If the shipper furnished his own refrigerator car he would get a concession on the rate, I suppose?

Mr. SWIFT. No, sir; no concessions are made to any shipper that I know of for any furnishing of ice.

The CHAIRMAN. If you furnish your own car what is the basis of agreement between you and the railroad? Is it for track service, or what?

Mr. SWIFT. If the shipper uses his own car, so far as I know, and in fact that has been the case where I have been interested, there have been contracts between the shippers and the railroads that in consideration of the shipments being made in a car by the shipper he shall receive a mileage equal to that paid between roads or by roads for common box-cars,

Senator PLATT. The same as for the use of the cars belonging to other roads?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. The injustice you complain of is in the fact that you regard yourself as discriminated against by the transportation companies, as between yourself and other men who ship live stock?

Mr. SWIFT. I consider the traffic discriminated against. I was asked by the gentleman did I consider the pro rata difference a just discrimination. I said I considered it an unjust discrimination against the consuming community, and, we will say, against the producing community. It falls between the two.

Senator PLATT. How about the shipper?

Mr. SWIFT. Perhaps to be modest, as I am interested, we will leave that out.

The CHAIRMAN. We are compelled to be a little prompt in the examination or we will not get through. You will please go right on.

#### ADJUSTMENT OF CATTLE RATES.

Mr. SWIFT. I was saying that until December 8, 1884, the rate was once and sixty on dressed beef over the live-cattle rate. We were asked in April, 1883, to meet a railroad committee in Chicago and afterwards in New York to arbitrate the rates. The live-stock shippers were complaining that there was not difference enough, that there was not discrimination enough. We were examined before the committee here in April and afterwards met them in New York. If you people have made yourselves conversant with Commissioner Fink's book, written during that time—this was April 12, 1883—you have seen that Commissioner Fink at that time recommended an advance; although it was thought by the dressed-beef shippers that they had made a very good point for a decrease in the pro rates on dressed beef. But Commissioner Fink, I think, recommended an advance. That was kept a matter of annoyance until October, 1884, I think, when, through the railway officials as a joint executive committee, or in some way, an arbitration committee was appointed, naming Commissioner Fink as the chairman of the arbitration, and one shipper of live stock and one shipper of dressed beef who should take evidence and weigh it and make a new award. But in the way they were appointed Commissioner Fink was appointed chairman of the committee, and the rules were laid down that in case the committee was not unanimous in its opinion the opinion of two should prevail. But in case two should not agree the award should be made by the chairman of the committee. The result was that it was made by the chairman.

The CHAIRMAN. Mr. Fink settled it again?

Mr. SWIFT. Yes sir; and it was advanced from once and sixty to once and seventy-five.

#### POOLING.

You want to know how we feel about this matter of pooling. We were advised, I think, on Friday, December 5 (the rate at that time on live cattle being 20 cents a hundred, and consequently 32 cents on dressed beef), that the next Monday morning, December 8, the cattle rate would be 40 cents a hundred, and dressed beef would take once and seventy-five of the cattle rate. That has been the rate up to May, when it was pretty clearly found out that live cattle had been shipped at a very much lower rate all the time,

The CHAIRMAN. All this statement goes to the point that you regard yourselves as having been discriminated against by the railroad companies?

Mr. SWIFT. Very strongly.

Senator PLATT. How many trunk lines are there from here to the East?

Mr. SWIFT. I think five.

Senator PLATT. How many of them have settled the claims of the dressed-beef shippers that they should be refunded to on account of the cut rates on live stock?

Mr. SWIFT. I do not know that any one has.

The CHAIRMAN. You dressed-beef men are making a claim for a refunding on that account, are you?

Mr. SWIFT. I think they are. We are asked by the railroad people to give our evidence so and so. They admit themselves that there have been cut rates on cattle.

Senator PLATT. But they do not propose to furnish any evidence on that subject?

Mr. SWIFT. No, sir.

The CHAIRMAN. What is your idea of a remedy for that discrimination, if you have any remedy to propose?

Mr. SWIFT. I will tell you where our protection was taken away. It is in the fact of the railroads being in the pool combination.

The CHAIRMAN. You think the pool resulted in that kind of discrimination?

#### ICING STATIONS.

Mr. SWIFT. And perhaps in part to the fact of our business being of such a nature that we have to have equipments which are stationary. We, with other shippers, have erected, under promises and agreements with the railroad companies, icing stations where the icing is done under our own supervision, it being the contract with the road that they shall place the beef at those icing stations promptly on arrival, and shall forward it when properly iced.

The CHAIRMAN. You have to reload the car with ice between here and New York?

Mr. SWIFT. Our cars have to be replenished in warm weather. It is a rule with us to replenish them with ice every twenty-four hours. That is about as often as would be proper to have feeding stations, if we were shipping live cattle.

Senator PLATT. There is no additional expense to the railroad company beyond the expense of the live-cattle business, because in the latter case there have to be feeding stations?

Mr. SWIFT. None whatever.

The CHAIRMAN. Are there any other complaints or suggestions that you wish to make?

Mr. SWIFT. I do not know that there are. I should be pleased to answer any questions you might think of asking.

The CHAIRMAN. You think a law ought to be passed that would prohibit pooling, as I understand you?

Mr. SWIFT. I think the result of pooling has been injurious thus far.

#### GOVERNMENTAL SUPERVISION.

The CHAIRMAN. If pooling should be allowed, in your judgment, ought it to be controlled by governmental authority?



Mr. SWIFT. I certainly think it should be controlled. There should be a proper arbitration committee, a government committee, that might be reached through appeal by those oppressed.

The CHAIRMAN. To whom you could go for any relief against unjust discrimination?

Mr. SWIFT. I think so.

#### REBATES AND DRAWBACKS.

The CHAIRMAN. Having been engaged in that business, do you know anything about the habit of railroad companies or transportation companies making contracts for rebates or drawbacks?

Mr. SWIFT. Yes, sir; I know something of those matters.

The CHAIRMAN. Do you think that custom among railroads, as far as it may be called a custom, ought to be tolerated?

Mr. SWIFT. I think, if there is any way that railroads could do the business as private individuals might do their business, that some other custom would be better. But it is a matter of fact that any party doing business has to seek and to make the best contracts he can.

#### DIFFERENCES IN RATES FOR LARGE AND FOR SMALL SHIPPERS.

Senator PLATT. You are probably the largest shipper of dressed beef in Chicago, are you not? And of course, as such, you want to get the best rates you can. But after all, do you think it is quite the right thing as between man and man that the large shippers should get a very much reduced rate? Ought not the man who is not doing quite as much business as you to have as good facilities and be enabled to make quite as much profit as you?

Mr. SWIFT. Certainly. Every man shipping a lot of beef should have the same rate, and should know what it is. It would suit me better. If I were going to allow a difference in the rates on the part of the railroad companies I would say that the actual difference in taking a train from here, or in picking up a car here and there and yonder, should be governed by the difference in cost.

Senator PLATT. You think that should be the only difference?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. You say that, notwithstanding the fact that you are the largest shipper of that kind of beef in Chicago, if not in the United States?

Mr. SWIFT. I am one of four large shippers. There are four large shippers in Chicago.

The CHAIRMAN. Do you take your own risk of loss on beef by spoiling, or does the railroad take that risk?

Mr. SWIFT. We take it. I will see if I can think of a clause that I had in a contract. Of course we have to have arrangements for doing this business. We cannot do it without equipments and without necessary arrangements. The railroad should exercise proper diligence, of course.

One clause in a contract with me has been that my traffic shall be carried with the same dispatch or service by the railroad company as is given to live stock. Further than that, that the shipper shall be responsible for any injury arising from neglect of his agents in icing the cars properly, &c., and that no liability shall attach to any railroad company further than as to other perishable freight, which means the proper carrying out of their contract.

The CHAIRMAN. In case of accident or delay the railroad is responsible, is it not?

Mr. SWIFT. Yes, sir.

The CHAIRMAN. Is there not a ground for the railroad company to charge more for the transportation of dressed beef than for live stock, in the fact that it is of a more perishable nature than live stock?

Mr. SWIFT. The liability in a money sense is many times less to the railroad when carrying dressed beef than when carrying live stock. For instance, an accident might occur to a train that would disable a number of its cars. When this business was first started, of course matters were not so thoroughly organized as they are now. When our company started the business we tried to have it understood with the superintendents of the road that in case of any accident to any car we should be notified, so that we could let our agents go and transfer the beef.

As I say, many cases of accidents that would cripple a car, and would perhaps kill more or less of the live cattle and injure others, result merely in the delay of the car until we get another one alongside, and change the beef to it; and in many instances it is not a case where we would make a demand for damage at all. I heard Mr. George H. Hammond, of Detroit, say, either the last time this matter was under arbitration or the time before, that he had never made a claim for damage on beef, or he had never made but one. That was in April, 1883. He had been a shipper then more than six years—the oldest shipper of refrigerator beef.

#### DISCRIMINATION AND COMBINATION.

Senator PLATT. You think that when you started this dressed-beef business in Chicago the railroad people discriminated against you in favor of the live-cattle shippers, and, having discriminated to the extent of 50 per cent. advance over the live-cattle rate, they afterwards raised that figure to 60, and finally to 75, which was still further unjust discrimination?

Mr. SWIFT. Yes, sir.

Senator PLATT. Having done that, they went to work and cut rates for the live cattle people?

Mr. SWIFT. Let me help you there; it reached a point where some lines did pretty nearly all the live-stock business, while others did pretty nearly all the dressed-beef business; but they formed a combination and agreement that they would advance the cattle rates from 20 to 40 and maintain them; so that while the dressed-beef shipper is paying on the line that is doing the dressed-beef business once and seventy-five, making 70 cents per hundred on his shipments through the winter, the other line that is carrying the cattle, and that agreed to maintain the rates to his shipper, is giving him a cut rate all the time.

Senator PLATT. Down to 32 cents?

Mr. SWIFT. Supposed to be much lower.

Senator PLATT. And there being a combination, they all take part in it?

Mr. SWIFT. As I say, the fact of their being combined together in a pool deprives me, for instance, of going to some parties that want my business, because they have all agreed to stay together and to maintain rates. Although the party carrying the live cattle may cut its rates to its actual shipper, still were he to transport beef for some dressed-beef shipper it would be evidence that he was cutting the rates; there is the evil of the pooling system.

## STOCK-YARDS.

Senator PLATT. Who owns the terminal stock-yards and the feeding stations along the road from which and by means of which the live-stock business is done?

Mr. SWIFT. There are stock-yards in Buffalo that are owned by a corporation, pretty largely by the New York Central and its officials, I think. The Albany stock-yards are owned by them. The stock-yards on Sixtieth street, on the New York Central, are owned largely by the New York Central officials.

Senator PLATT. That makes it to the interest of the railroad companies to preserve the business of shipping live stock, does it not?

Mr. SWIFT. It really makes it to the interest of certain parties who are officers in railroads to foster that business.

Senator PLATT. Do you think the question of ownership of those stock-yards and feeding stations has entered into this matter of discrimination at all?

Mr. SWIFT. Decidedly, and if you will read Commissioner Fink's reports, you will see that in making up his report he says the shippers of live cattle have to pay these expenses, and consequently those expenses should be allowed as against dressed beef. They are considered to make up what the shipper can stand on the dressed-beef rate.

## WILLIAM H. BEEBE'S STATEMENT.

WILLIAM H. BEEBE, of the firm of Beebe & McCormick, commission merchants, appeared and said:

I am a member of the Board of Trade.

The CHAIRMAN. Will you go on and state what you have to say about this matter in your own way?

Mr. BEEBE. I will occupy but a very few minutes, for the reason that not being an expert in the railroad business, and not being conversant with it any further than it approaches and touches men of business, my views will probably not be of any special value. We have been engaged in the commission business very largely, shipping and handling grain from the west. While I do not lean very much toward paternal legislation on the part of the Government, still I am decidedly of the opinion that when the railroads begin to touch the point of discrimination, regulation by a commission or by some other governmental agency would be beneficial. I do not think there is any occasion for complaint in the way of extortion.

## DISCRIMINATIONS AGAINST CHICAGO.

I thought I would bring to the attention of the committee the discriminations that were made against Chicago last year, more especially in the matter of corn shipments. Those discriminations became so grievous that we were compelled in self-defense to buy in the West, as all our corn on which we had advanced money, and which was naturally tributary to Chicago, was diverted by a most outrageous discrimination against this city.

The CHAIRMAN. In favor of what place?

Mr. BEEBE. In favor of the Missouri River and the west. The rate to Chicago, as regulated by the Missouri River pool was 20 cents; as regulated by the pool here, it was 25 cents to New York, making a

through rate of 45 cents from Missouri River points, such as Atchison, Kansas City, and other local points. We went out there to buy. The local rate from Missouri River to Mississippi River was 13 cents. We bought at the rate of  $17\frac{1}{2}$  from Mississippi River to New York, making a through rate of  $30\frac{1}{2}$  as against 45; that made a difference of about \$40 a car. That corn was diverted from its natural channels, resulting in a loss to Chicago of a good many cars. We continued during the months of January and February to ship a good many cars of corn; the number of cars was two or three thousand a month, at least; probably more than that proportion, as the crop last year was larger than it had been in previous years.

#### REBATES.

As to rebates and discriminations, I am disposed to be against them as injurious to every one connected with them. I think, with the exception of two or three, these parties who had them have failed. It leads them to extend their business to such a degree as is not warranted by their capital. I think the experience of the shippers is that it is a good deal like putting your nose into a bear-trap; you do not know whether you will get out or not. They have locked up large sums of money. The shippers here are more conversant with that matter than I am, but I have understood that there are large sums of money locked up.

I know in the west the men who have obtained rebates have gradually extended their business and reduced the profit, and have taken a great deal of commercial risk, which must eventually beat the best man that ever tried it.

I have seen nothing that would lead me to think that there is anything to be gained by allowing railroads to discriminate against individuals or places. It is largely a matter of favoritism with railroads and officials. As far as my experience goes, if you can get in with a railroad man and be a friend of his and treat him to cigars and a little more, you can get a better rate.

#### THE LARGER AND SMALLER SHIPPER.

I do not agree with Mr. Wright in regard to this matter of discriminations. I have always felt in regard to this matter of the larger and smaller shipper that the railroad companies are to a certain extent political institutions, obtaining their franchises from individuals, and my idea has been as to regulating that matter that we should be more particular in the matter of legislating as to classes. For instance, if two men in the grain business go to the same point and one has \$5,000 capital and the other \$15,000, and one can ship 100 cars and the other not so many, I do not think one should be discriminated against because he can at one time ship 100 cars while the other can only ship 50. As to the farmer, who carries his office around in his hat, that's another matter.

#### THE CAR-LOAD THE UNIT.

The CHAIRMAN. Do you think the car-load should be the unit?

Mr. BEEBE. Yes, sir; but I think if the farmer comes in and gets a car side-tracked he gets an advantage, because he has no office and no expenses and no plant.

The CHAIRMAN. Why should he not have the same opportunity that the other man has who has a plant, if he pays the expense of getting that car side-tracked?

Mr. BEEBE. It seems to me that in one sense you are promoting the interests of the road by fostering these men and giving them a chance to do business. In other words, they put a plant there, and if the farmers are allowed to do that, you would simply kill the business. It hurts the road and the community generally. I do not think the farmer is helped particularly.

Senator PLATT. Suppose, in the case of business men, the large dealer gets a considerably lower rate than the small dealer; how is the small dealer ever going to become a large dealer under those circumstances?

Mr. BEEBE. He cannot.

Senator HARRIS. He ceases to be a dealer at all before a great while?

Mr. BEEBE. Yes, sir.

The CHAIRMAN. Is that in the interest of the people generally?

Mr. BEEBE. No, sir; I do not think it is.

The CHAIRMAN. Then, whatever is done at all, should we not look at the effect upon the body of the people?

Mr. BEEBE. I am inclined to think so; yes, sir.

The CHAIRMAN. You would rather build up the small man than pull him down, would you not?

Mr. BEEBE. That is my idea of it. I do not think it is in the interest of the community to foster a monopoly, or to foster any institution to the extinguishment of the many.

#### THE MIDDLEMAN A NECESSITY.

Senator HARRIS. If you allow the farmer to ship his car-load of grain on the same terms that you would allow the small or the large dealer to ship a car-load of grain, have you not benefited both the producer and the consumer by giving him that facility?

Mr. BEEBE. I think not, in the long run.

Senator PLATT. You think a middleman is necessary?

Mr. BEEBE. Yes, sir.

Senator HARRIS. The middleman necessarily must have some compensation for being a middleman, you think?

Mr. BEEBE. I think so.

Senator HARRIS. That compensation comes out of the producer or the consumer, does it not?

Mr. BEEBE. I suppose it does eventually.

The CHAIRMAN. It enables another man in the mean time to live?

Mr. BEEBE. Yes, sir; it enables him to live in the mean time.

Senator HARRIS. But it makes the producer and the consumer a little worse off than if there were no middleman?

Mr. BEEBE. It would for the time being, perhaps.

Senator PLATT. What has been the practical result of the attempt of the farmers to do away with the middlemen and make their own shipments?

Mr. BEEBE. I have not had enough experience in the country to be able to say, so far as that is concerned. My experience has been here entirely, and my observations have been altogether from this point. It may be that if I were out there, as a farmer, I might look at it a little differently.

But if there is any discrimination to be made, I should draw it in that way, as a class, and not in any other way. The railroad is a public institution, and if there were only one man in the State, it would have to get its franchise from that man as the State—as an integral part of it, and as the community.

Senator PLATT. Speaking of these rates from Missouri River to New York as being less than rates for the same produce coming by way of Chicago, is there any reason for it?

Mr. BEEBE. Certainly not in distance, because the Mississippi River is a good deal farther west. I am not conversant enough with the reasons of the railroads. It seems to be a matter entirely within themselves. I never could discover what it was for.

Senator PLATT. A point on the Mississippi River immediately west might be nearer, but there might be other points—I am not very well acquainted with the geography of the railroads—where the distance is less.

Mr. BEEBE. It is 250 miles west of us, and they were getting it at 17½ cents less than we were. The rate was given at one time to some friends as low as 16 cents, as I am informed.

#### CONGRESSIONAL REGULATION.

The CHAIRMAN. Your judgment then is, as I understand you, that Congress ought to pass a law prohibiting discriminations between persons or places?

Mr. BEEBE. Yes, sir.

The CHAIRMAN. That it ought to pass a law prohibiting rebates and drawbacks.

Mr. BEEBE. Yes, sir.

The CHAIRMAN. Do you think pooling ought to be prohibited or not?

Mr. BEEBE. I do not know that I am conversant enough with that to say. Pools certainly ought to be regulated, if they are allowed to exist at all.

The CHAIRMAN. What do you say as to the question of the publicity of rates?

Mr. BEEBE. I am decidedly in favor of the publicity of rates.

The CHAIRMAN. You believe that Government ought to require publicity of rates on all interstate commerce?

#### PUBLICITY, UNIFORMITY, AND STABILITY.

Mr. BEEBE. Yes, sir. I do not see why any merchant should need more than fair competition. I very seldom go to a railroad for a rate. I do not want to. I can do my business, if I know what the rate is. What we are after is uniformity and stability. If pools would establish that in certain places, and not discriminate unjustly against other localities, I would see no objection to them.

The CHAIRMAN. But publicity and stability are the great factors in success in business operations?

#### PRIVATE INTERESTS OF RAILROAD MANAGERS.

Mr. BEEBE. Yes, sir; especially so in regard to another matter; that is, frequently railroad officials are engaged in private business themselves. They get on the inside in this matter. I have come into competition with concerns where the officials are interested in opposing houses. Men would say, "We would like to ship with you, but if there are any rates going we get them so-and-so." If that matter could be controlled in any way so that there would be no favoritism shown, we could compete. Some lines of road I have never worked with at all for that reason. When I went into the business first we did not pre-

tend to go near the Rock Island road, for the reason that the officials were interested in business here.

The CHAIRMAN. They were running things to their own advantage?

Mr. BEEBE. Yes, sir; all the time.

### P. MORAN'S STATEMENT.

P. MORAN, a member of the Board of Trade, appeared.

The CHAIRMAN. You represent a commission house here, engaged in shipping butter and cheese, do you not?

### THE DAIRY INTEREST DISCRIMINATED AGAINST.

Mr. MORAN. Yes, sir; we are engaged in the dairy interest. I have been here since 1857. The principal part of our grievances is in relation to the butter and cheese business. We cannot see why a car-load of butter and cheese should be charged two or three times as much as a car-load of meats or lard. The dairy interest has laid the matter before the different lines—the Star Union and Merchants—for several years but we can find no redress. This is the first time we have had a chance, I believe, to lay those grievances before a commission or anybody else. We have looked at it for years on the theory that we must be wrong.

The CHAIRMAN. Your complaint is that men engaged in your business of shipping butter and cheese are charged more per car-load than men are charged who are shipping meats?

Mr. MORAN. Yes, sir; we are charged to-day 50 cents a hundred on cheese, while I can get a car-load of meat carried, which is no better freight than ours, at 12½ to 13 cents, as I understand it.

The CHAIRMAN. Where do you ship your products?

Mr. MORAN. To New York, Boston, and Philadelphia.

Senator PLATT. How is it about lard?

Mr. MORAN. Lard is the same as meats. We think we ought not to be discriminated against as much as we are.

The CHAIRMAN. What are the reasons given to you by transportation companies for charging you more than other people are charged?

Mr. MORAN. They have never been able to give us a reason, but we think in competing for the lard and meat and grain business the roads throw their burden of their expenses on the butter and cheese business, which is now a growing interest in the West.

The CHAIRMAN. Where do you buy your butter and cheese?

Mr. MORAN. It is shipped here on commission. I do the business of a great many factories in Illinois, Iowa, Minnesota, and Wisconsin, principally. The cheese comes principally from Wisconsin, and our butter comes from Illinois, Iowa, and Minnesota.

Senator PLATT. Are these Western rates that you speak of as well as Eastern rates?

Mr. MORAN. We do not complain of the Western rate as much as we do of those from here to New York, Boston, and Philadelphia.

Senator HARRIS. Are butter and cheese more perishable than meats and lard, and are they more liable to suffer from damage, or injury, or loss than are shipments of meat or lard?

Mr. MORAN. We consider them about the same. In the winter-time a car-load of butter and cheese can be shipped, say from the 1st of September until the 1st of April or May, to as good advantage, I think, as a car-load of other goods. Still, we would be willing to pay some more;

but to pay about 300 per cent. more is something we think entirely wrong. We have talked about this matter in our meetings, and we have gone to the railroads

Senator PLATT. You think this is one of the difficulties of business, in which the railroad company is making up its want of profits on the other freight?

Mr. MORAN. Yes, sir; that is the feeling in the dairy interest of the West.

The CHAIRMAN. A great deal of butter and cheese is shipped to this point from Illinois and out West?

Mr. MORAN. Yes, sir.

The CHAIRMAN. It comes from the neighborhood of Elgin, and from that section of the State?

Mr. MORAN. Yes, sir.

The CHAIRMAN. Do you complain of the charges against those shipments in the State from those points to Chicago?

Mr. MORAN. No, sir; not very much there.

The CHAIRMAN. It is as to the product that comes from other States into this State, and that goes out of it to other States East, that you complain of?

Mr. MORAN. Yes, sir; that is the trouble.

The CHAIRMAN. I was going to remark that you might go to the railroad commission of the State and make your complaint if they were confined to the business within the State.

Mr. MORAN. No, sir; we are pretty well satisfied with that. But what we complain of is the rate that they charge us, which we consider extortion.

#### RATES ON BUTTER AND CHEESE.

They charge us 75 cents freight in the winter on butter, that we can load as well as they can load a car-load of lard, where the men shipping the lard can get it taken for one-third that rate.

Senator PLATT. Do you mean that the rate on butter and cheese to New York is 75 cents a hundred?

Mr. MORAN. It is on butter 75 cents, winter rates, and on cheese 60 cents. Now the rate on cheese is reduced to 50 cents by car lots.

The CHAIRMAN. That is the summer rate?

Mr. MORAN. Yes, sir.

The CHAIRMAN. There is a difference between the summer and the winter rates?

Mr. MORAN. Yes, sir.

Senator HARRIS. Do you ship butter during the summer?

Mr. MORAN. Yes, sir.

Senator HARRIS. What is the summer rate on butter?

Mr. MORAN. I think it is 70 now.

Senator HARRIS. The reduction is from 75 to 70?

Mr. MORAN. Yes, sir.

Senator PLATT. Do you use refrigerator cars during the summer?

Mr. MORAN. In the summer, yes, sir. That has been talked over by several boards. We could not get a hearing from the railroad companies. They looked on us as though we were in the wrong.

Senator HARRIS. Who furnishes your refrigerator cars in the summer-time; the railroad company or you?

Mr. MORAN. The Star Union and Merchants. Whatever line we ship by.

The CHAIRMAN. You do not furnish the cars yourself, then?



Mr. MORAN. No, sir; we do not.

The CHAIRMAN. The lard and bacon, and that class of product that is shipped East, or that is brought here from the West, is dumped into the car belonging to the transportation companies, and is not quite so liable to be damaged in any way as is your product?

Mr. MORAN. We should be willing to allow the difference in icing and care. We are always willing to do that, and more too. The particular cause of complaint is the way in which they discriminate against us from the 1st of November until the 1st of May. They hold their prices up then, when there is no expense whatever to a railroad that transports our goods, and we feel as though they are taking about three-eighths of a cent a pound out of all our dairy products.

#### COMPLAINTS WITHOUT REDRESS.

Senator PLATT. You say you have complained, and have received no reasons for these higher rates of freight being charged upon your product than upon meats or lard?

Mr. MORAN. No; we have never been able to get an answer from them in regard to it. They seem to look upon us now as they did in 1857 when we were only able to ship a few car-loads a week from here. But now our dairy interests from the West are very large.

Senator PLATT. What is the extent of the shipments of your firm now?

Mr. MORAN. I did not bring the figures here; I did not come prepared to answer that.

The CHAIRMAN. How much business do you do, probably, in a year.

Mr. MORAN. We do, I suppose, over \$1,000,000 worth a year. I would show you the way this interest is growing, if I had the figures. I was interested in the first factory that was built in the West. I helped to build and run it. In that way I have an idea of the growth of the business. I have not taken the statistics of the shipments, but they are enormous.

Senator PLATT. You know somewhere near how many car-loads you ship a week?

Mr. MORAN. Sometimes we ship more, and sometimes less. I am talking now for the interests of the whole business. I am not talking for the interests of our own individual firm.

#### EXTENT OF SHIPMENTS; BUTTER AND CHEESE.

Senator PLATT. How many car-loads a week of this dairy produce do you suppose are shipped to the East?

Mr. MORAN. At some seasons of the year there may be about 8 or 10 car-loads a day. Sometimes it is reduced below that. It is held back. At other times there are large amounts shipped.

Senator HARRIS. What do you think would be a fair rate to charge for butter, as compared with bacon and lard?

Mr. MORAN. I think we ought to get a rate to-day of 25 cents on cheese, in view of the rate on lard and meats, which I look upon as rather lower than they ought to be just now; and we ought to get a rate of 35 cents on butter.

The CHAIRMAN. Instead of a 70-cent rate?

Mr. MORAN. Instead of a 70-cent rate.

Senator HARRIS. You think there should be a reduction of one-half?

Mr. MORAN. The difference is so large that we cannot help coming

here and laying our grievances before you. It is certainly too much for the trade to stand much longer.

The CHAIRMAN. You think you pay nearly twice as much as you ought to pay on your product for transportation?

Mr. MORAN. Certainly one-third more, the year round. We paid double what we ought to pay last winter.

The CHAIRMAN. Your product is a staple product in the market the price of which does not vary very much in comparison, for instance, with lard and grain?

Mr. MORAN. A car-load of lard is worth more than a car-load of cheese.

The CHAIRMAN. I am now talking about the price per pound, and the fluctuations of the price of the article in the market. The price does not fluctuate on butter and cheese like it does on lard and cheese, does it?

Mr. MORAN. Yes, sir; about the same, and about in the same ratio, I think, when comparing the value of both. Our butter and cheese market is subject to the rise and fall of markets. In the winter-time it does not vary very much from, say, the 1st of October or November until the 1st of March. We have a rather steady market during that time.

#### LUCIEN PRINCE'S STATEMENT.

LUCIEN PRINCE, of Worcester, Mass., appeared.

The CHAIRMAN. You live in Worcester, Mass.?

Mr. PRINCE. Yes, sir, when I am at home, although I am often here.

The CHAIRMAN. What is your business?

Mr. PRINCE. I was formerly occupied in looking after the transportation of live stock in the interest of New England shippers.

The CHAIRMAN. The live stock transported from the West to the East?

Mr. PRINCE. Yes, sir.

The CHAIRMAN. Let us hear what you have to say about it.

Mr. PRINCE. I want to make my statement as short as possible on your account. My time has covered ten years that I have been looking after the transportation of live stock—in the personal interests of the Massachusetts Society for the Prevention of Cruelty to Animals two years, and one year in the interest of the State Board of Health of Massachusetts, and seven years in the interest of the shippers of live stock, each one paying me what he thought I was entitled to.

#### POOLING.

I merely wish to call your attention to one thing, which is the most essential thing I can bring before you; that is, the manner in which this pool was formerly carried on against live-stock shipments. In 1880 the New York Central and other roads pooled up their interests, divided it up, giving the Grand Trunk a certain portion and the Lake Shore and Michigan Central and other roads a certain portion. It was through the instrumentality of the New York Central that the pool was organized.

#### DISCRIMINATION.

The biggest shipper to New England of live stock was John P. Squires, who then shipped about one hundred cars of hogs a week from here to Boston. It was of great importance to the roads to get hold of

that man's shipments, for the reason that there was something to be made out of it by those railroad companies who owned the stock-yards between here and Boston. I know whereof I speak, for I have had some experience in this matter. Mr. Squires was paying 60 cents a hundred in 1876 over the New York Central, taking off his hogs at Buffalo and feeding them. They would not let him feed anywhere except in certain yards. They would not allow him to go into any other pens, until he was satisfied he was shrinking a thousand dollars a week on his hogs by going through Buffalo. The hogs held out in number, but not in weight. It was proved that there was great discrimination there against him, but I won't tell here what it was. He was paying \$1.50 a hundred for corn that he could buy right over the fence at 35 cents and feed his hogs, and they bought it at 35 cents. Such was the discrimination against him that he procured yards and unloaded and fed and watered his hogs in his own yards and saved the expense. The New York Central discriminated against him in this manner, that when his hogs were ready to go at 7 o'clock in the morning they would not ship them for him, because he had not fed and watered them in their yards. They shipped hogs first for whoever did feed and water them in their yards. His hogs would be kept until 12 o'clock before they would be shipped out of Buffalo. When they got to Albany they were obliged to go into their yards.

The CHAIRMAN. At what time was this?

Mr. PRINCE. I am now talking about 1876, and I want to make that a point.

The CHAIRMAN. Come down to the present time with your statement.

Mr. PRINCE. I will, as soon as I can. Such was the discrimination against him that he sent me to Chicago to ascertain if I could find a better route for him to ship by. He said nothing about the rate. I came here and made a contract with the Grand Trunk to ship his cars to Boston for 50 cents a hundred for a year, and they were to run in one hundred hours, very much quicker than they had ever been running over the New York Central. That was agreed upon. I got two other Boston men to go with Mr. Squires, and took their hogs over the Grand Trunk. When the New York Central found that to be the fact, it commenced to cut the rates, and they run hogs for 25 cents a hundred in order to beat the Grand Trunk. They got back one shipper. That was their discrimination from that time on. They did that to see if they could not induce Mr. Squires to come back on their road. They thought he would come back for that bait of 25 cents, but he did not do it.

The next spring the superintendent of freights of the New York Central, Mr. Rutter (who now lies dead), sent for me to come to New York. He wanted to see me, and see if he could not get that business back. I said, "Will you let us feed and water in our own yards?" He said "No." "Then," I said, "we won't come back to your road." From that day on Mr. Squires shipped over the Grand Trunk. I came here in 1880 at his request when this pool was set up, and tried to find a new route by which he could ship his hogs to Boston and not go over the New York Central or the Grand Trunk. The Grand Trunk had gone into an agreed rate for a year, but the New York Central induced them to give it up and come into the pool. I said to Mr. Spicer that he could not have that business then; and I took hogs over the Baltimore and Ohio road to Mansfield, Ohio, where I put them on the Great Western for Salamanca, N. Y., thence over the Erie to Binghamton, and over the Albany and Susquehanna to the Hoosac Tunnel, and then to Boston, and I got around the New York Central and the pool in that way.

Senator PLATT. The Erie is in the pool, is it not?

Mr. PRINCE. It was not at that time.

Senator HARRIS. What rate of freight did you have to pay by those routes?

Mr. PRINCE. I think 45 cents. I then went to Saint Louis and got hogs that had formerly come from Saint Louis to this place and to go on to Indianapolis, striking the same route; and then I went to Kansas City and got them sent on, and just skipped Chicago the best we knew how. In two weeks they got the Baltimore and Ohio into that pool, and then I was completely blocked in, and for once I thought I had got beat by a railroad company. I came here and said to Mr. Ledyard, of the Michigan Central, "You are chartered for the purpose of becoming common carriers, and you have got to take these hogs. If you do not take them you shall not ship for anybody." Mr. Squires had 3,500 hogs in his yard costing \$250 a day to feed them. After a parley of forty-eight hours they took them. I got a letter from the attorney-general of the State stating that he would commence a suit at once. The Grand Trunk got 63 cars of stock in one month, instead of 300, which the pool agreed to give them. Then the pool broke up. Then they said, you may have the 300 if you can get them; but they had to pay the difference. The New York Central knew the very minute they could get the Grand Trunk in the pool that they could beat them, because nobody was going around that way when they could go a day sooner by the New York Central. They never hesitated to take those hogs for John P. Squires. I then said to Mr. Squires: "You never can ship hogs from Chicago in the railroad companies' cars. They will get every car they can, and they do not get enough for drawing them back. If you can go into a line you can have mileage on your wheels, and have your own cars, and hold them at Chicago until you get ready to load them." He had 250 cars built, and went into the National Dispatch Line, and then he was not annoyed by the railroad companies. To this day he has been shipping in that way. During the year 1880, at the stock-yard out here, when we were bringing our hogs from Kansas City here, Mr. Sherman put on a rate of 8 cents a hog to load and unload when they were billed through to Boston.

The CHAIRMAN. He is the stock-yard man.

#### BUSINESS FORCED AWAY BY POOLS.

Mr. PRINCE. Yes, sir. I said to him, "If you do that you shall not have a hog come to this yard." I went down to Joliet and got Mr. Ledyard to put up some stock-yards. I skipped Chicago, and to-day Mr. Squires is shipping 100 car-loads of hogs from Kansas City, a very few from Saint Louis, and he has not shipped 10 car-loads in six weeks from this city. He can buy his hogs cheaper and get a better rate from Kansas City than he can from here. He has abandoned this market, and has been driven out of it by the pools.

I want to read a little memorandum that I have in my scrap-book, that I made about this pool in 1880. I did not see until yesterday that you were to meet here. I had intended to meet you in Boston. In 1880 I made this memorandum in my book; during this year I feel proud to know I gave the east-bound pool from Chicago to the East a hard blow, attacking it on all points and on all occasions public and private. Its rates varied from 60 cents to 25 cents in six months on the same kind of merchandise. I have proof sufficient to prove that pooling is no way to run a railroad. The Vanderbilt influence caused the pool to

be constructed, and he is first to disregard the contract. They are neither honest nor honorable; bound to rule or ruin any man that does not obey their behests. They were determined to drive John P. Squires into that pool. They never would have got him in. If they could, they would have made a thousand dollars a week by his going through Buffalo. Who owns the lines? There is not a line of car running to-day but that has the officers of railroads owning them.

#### OFFICIALS INTERESTED IN VAST FREIGHT LINES.

The CHAIRMAN. You mean such as the White Line, and the National Line?

Mr. PRINCE. Every road that is in existence to-day is owned by the officers of the road.

The CHAIRMAN. Do you know that to be true?

Mr. PRINCE. I think I can produce the testimony.

Senator PLATT. You do not mean wholly so, because Mr. Squires owns some, and he does not own a railroad.

Mr. PRINCE. They would not give him a majority of the stock in his plant that he put in there. He had to go into that. One of the Vermont Central men said, "If you will come into our line we will protect you. We will run your cars back." The minute they are down there, they will pull them back. Before that they would pull no cars back until we compelled them.

I want to call up one more point against the Michigan Central. When I wanted double-decked cars to run hogs out of here, they did not give them. I went down to Detroit and called for double-decked cars. "I have not got any in our division." A freight agent told me where I could find them. I went up into that division and found two hundred and fifty double-decked cars. Mr. Ledyard was compelling me to ship in single-decked cars, charging me for 16,000 pounds and allowing me to put in but 11,000. That was the discrimination until I went to the chief justice of the supreme court of Michigan and asked what were my rights. He said a law had been made against discriminating against a shipper of merchandise. He said he would grant me a warrant the minute I made a complaint against the Michigan Central road. I went to Mr. Ledyard and said, "I demand the cars," and the next day he telegraphed to Chicago to give John P. Squires double-decked cars.

The committee then adjourned to Monday, June 15, 1885, at 10 o'clock a. m.

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CHICAGO, *June 15, 1885.*

#### EDWARD J. MARTYN'S STATEMENT.

EDWARD J. MARTYN, representing the house of Philip P. Armour & Co., pork and beef packers, appeared.

The CHAIRMAN. What is the business of the firm you are connected with?

Mr. MARTYN. The packing of hogs and cattle, and the shipping of dressed beef. My first duties in the house are to attend to transportation matters.

The CHAIRMAN. You have been present at the examination of some of the witnesses here. I wish you would give us your understanding of the business you have been engaged in, and tell us all about it, so

far as it relates to shipments and to your dealings with transportation companies.

Mr. MARTYN. I should say that there were no serious abuses in the transportation of goods at Chicago on what you might call staple products; that is, not long existing abuses. Provisions, corn, and such articles seem to regulate themselves, and the pool has had practically, since its existence, a strong band in maintaining the rates that they publish. That is, there would be occasional breaks, and it would seem to a man outside of railroad interests that the great law of demand was what really governed the rates, rather than the pool. The pool has been inoperative to a large extent.

#### THE ABUSES OF POOLING.

On the other hand, when you come to an article of a higher class, those which are necessarily confined to certain routes of shipment, so that a shipper cannot fall upon the law of competition to aid him in any way, the abuses of a pool as against the shippers begin. For instance, there is practically no appeal from the ruling of the pool. They pretend to have arbitrators; but we have always found those arbitrators to be, without speaking discreditably of any of them, actuated by the same impulses that actuate railroad men. Whenever we have gone to the pool with any questions, and they have been submitted to arbitrators, they have been invariably decided against us. That may have been because we are always wrong; but, of course, we do not think so.

The CHAIRMAN. You think you may sometimes be in the right?

#### DISCRIMINATION AGAINST DRESSED MEAT.

Mr. MARTYN. Yes, sir. The grievances that we have to complain of, speaking for all the packers of Chicago, are that live hogs are carried to the sea-board at the same tariff rates as provisions. We claim that this should not be, for the reason that we furnish to the road with all provisions that come east—the hog products I am talking of now—cases of salt, which add 25 per cent. to the amount. Where we have to put water with the salt in heavy tierces, they get something like 50 per cent. more freight out of the hog product—out of the same animal in Chicago—taking it down in a packed condition as against taking it down in a live condition. We claim that that is so evident to the railroads that they should not take live-hogs, offal and all, at the same rate. There should be a higher rate on live hogs. While it may not be easy for you gentlemen, not being in the business, to understand it thoroughly, still the effect has been such that since those rates have been in operation the business of the Boston and New York packers has largely grown, and they have largely supplied their sections, besides sending to some portions of the South, by reason of cheap water transportation to Savannah and Charleston, and such places, large quantities of the meats which we would naturally sell and send by rail across the country. They have sold them on an average at something like, I might say, a cent a pound cheaper than we could. We have no objection to urge against that as regards the price, except that we say it is not natural that Boston should become a packing point at the expense of Chicago.

#### CHARGES ON LIVE HOGS TOO LOW.

Senator HARRIS. Do you think the rates charged to your business are too high, or that the rates charged to the live-stock business are too low?

Mr. MARTYN. Too low.

Senator HARRIS. Your complaint is that the transportation companies charge too little upon the other classes of freight, and charge about the right figure on yours?

Mr. MARTYN. We have no complaint to make of our charges.

The CHAIRMAN. In your judgment, what is the reason of that?

Mr. MARTYN. I took this matter up with the pool at a meeting here when all the Eastern magnates were here, and presented a petition to them, signed by all the packers in Chicago for an investigation, and for the basing of these articles upon relative rates. The petition has been shelved, although I have followed it up thoroughly with the leading men, so that I know they understand it. Without an exception they all admit the wrong of taking live hogs so cheaply. Live hogs, you understand, are taken in a double-decked car, and nothing can return in that car.

The CHAIRMAN. There is nothing East to bring back in that kind of a car?

Mr. MARTYN. They have made cars where the middle floor would let down, but those cars have not found favor. They would freeze up with filth, &c.

Senator PLATT. The car not only has to come back empty, but it has to be cleansed?

Mr. MARTYN. I do not know that they ever clean them. They do not look so. On live hogs, too, there are no stock-yard charges against the receiver. The railroads take care of that themselves. There is one man feeding continually, and wetting down the hogs with water. But the expenses are very light, as some transportation men go along with them. Still, we claimed on an examination before the committee composed of shippers and railroad men that it would be shown that live hogs are carried too cheaply; and all railroads admit it.

The CHAIRMAN. Do these transportation companies get any advantage outside of the price of transportation in the shipment of live hogs? In other words, have they stock-yards along the roads by the use of which they make money out of the public?

#### THE RESULT OF COMPETITION BY GRAND TRUNK RAILROAD.

Mr. MARTYN. I do not see how they make any money on hogs.

The CHAIRMAN. What reason can there be for their apparent persistence in charging too little, as you say, in comparison with the charges on your products?

Mr. MARTYN. The railroads throw all the blame upon the Grand Trunk and Michigan Central. They say that road, not having much live stock to carry, has persisted in carrying these live hogs to Boston. That is an offset, I suppose, to something the other roads are doing in carrying at low rates.

Senator PLATT. But whatever may be the occasion for it, the result is, in your estimation, that it puts you at a disadvantage with Eastern packers?

Mr. MARTYN. Yes, sir, very seriously. It is shown also, when competition takes place, as now, with the pool practically broken and of no effect, that the hog rate is probably about 25 per cent. higher to-day than the provision rate, when you come down to as close a basis as they can get. They would not follow hogs down to the provision rate. Live hogs to-day are a little higher in rates than provisions, probably 3 or 4 cents. I do not exactly know the difference.

The CHAIRMAN. Still you think they are too low?

## DIFFICULTIES ADJUSTED WHEN POOLS CEASE.

Mr. MARTYN. They are all right now. Competition makes it right. When the hand of the pool is off, that matter adjusts itself.

The CHAIRMAN. You mean that you are all right as between live hogs and packed provisions now?

Mr. MARTYN. There is nothing to complain of to-day. I am satisfied to see live hogs at a higher rate when they are shipped naturally, as against a low rate in provisions.

The CHAIRMAN. In your business of shipping meats, you can compete with them?

Mr. MARTYN. Yes; I think so. Of course they have a large stock in Boston, and would be selling anyway; but if we could start in at the beginning of the packing season and go through with that proportion of about 25 per cent. higher on live hogs, I think we could both get along and do business.

## THE REFRIGERATOR CAR.

I want to follow this hog business a little farther. There is a still more violent abuse in the rate on dressed hogs and live hogs again. To show how the pool put it, the tariff would put live hogs at 30 cents. The last tariff is now inoperative. It would put dressed hogs at 55, shipped in a refrigerator car; shipped in a common car at 5 cents over only. That is all right. There is more handling to be done, I think, on frozen hogs in the winter, but the others can only be shipped in the winter. As a matter of fact the old-fashioned way of shipping hogs in a common car is scarcely done now. This shipping of dressed hogs in a refrigerator car, on the contrary, is a thing that is very much desired by the dressed-beef shippers and their customers, for the reason that it enables a butcher in the Boston market to sort up his car. He can get a few hogs, and a few sheep, and such articles as that. Very rarely, except in the New York market, would a straight car-load of dressed hogs go. It has been a small business really. When dressed-beef rates are 70 and hogs are 30, we can get along and get in a few. But when the rates are as they are now, it shows the inequality of them. In fact the business is absolutely nil. No man would order dressed hogs to-day.

## THE POOL THE CAUSE OF DISCRIMINATION.

The CHAIRMAN. Because of the difference in the price of the shipment?

Mr. MARTYN. Yes, sir. The pool can take no cognizance of it. They cannot reduce it. I do not know but that we might get them to reduce it by working at them six months, but by that time the thing is all over. We cannot reach them. The sheep rate was 95 cents a hundred for dressed sheep in refrigerator cars, as against 50 cents for live sheep. That is the tariff. They have recently reduced dressed sheep simply by our saying we would not stand it. It really has no rating at all. It goes along with dressed beef by sufferance. The great trouble in the operation of railroads, as Mr. Swift showed you the other day, is that these articles shipped by refrigerator cars by specified routes causes them to cut live stock whenever they choose. They cut the rates with impunity, and it throws us into disadvantage immediately.

The CHAIRMAN. They do that simply because they have the power. Is that the idea?



Mr. MARTYN. They do it as any business man would do it, because it can be done most conveniently.

The CHAIRMAN. I mean the transportation company throws you out by cutting the rate on live stock simply because they know you have to ship on their route, if you ship at all.

Mr. MARTYN. As a business man, he says, "I will get that freight any way." He is short-sighted, however, because he simply checks that freight.

The CHAIRMAN. You think the operation of the pool is what causes this trouble, do you?

Mr. MARTYN. Yes, sir; I do. That is, I think it has caused us the trouble from our not being able to make our rates follow other rates.

The CHAIRMAN. Suppose the pool were abolished absolutely, do you think you would have any trouble in getting the same favorable rates that men get who ship live stock?

Mr. MARTYN. No, sir; I think not. I should reason that the least competition in freight would settle it.

The CHAIRMAN. The same thing would exist, would it not? If you shipped in a refrigerator car, for instance, you would be compelled to ship over a particular line?

#### REFRIGERATOR CARS OWNED BY SHIPPERS.

Mr. MARTYN. Yes; but we could go to another line and say, "We will give you our business if you will take it at such and such a price." They answer now that they cannot do anything except as the pool says.

Senator HARRIS. Why is it you are tied to a particular line of road. Have not all the roads refrigerator cars?

Mr. MARTYN. We own our own refrigerator cars. Moreover, we must have our own icing stations and our own men.

Senator HARRIS. You cannot have icing stations on all routes?

Mr. MARTYN. It is expensive, of course. In a business point of view, I do not blame them. They had a better thing in the live-stock business. But still it is no less an injustice to me.

Senator HARRIS. Approximately, what is the amount of your shipments a year?

Mr. MARTYN. Perhaps the quickest way to tell you is this: Last year, on the cheap basis of the product, we did about \$42,000,000 of business, and shipped it all. Of course we shipped some South.

Senator HARRIS. And a large amount of it went across the water?

Mr. MARTYN. Yes, sir; but that went over the Eastern roads. The bulk of it goes there.

Senator HARRIS. It all went either East or South?

Mr. MARTYN. Of course, some goes West; but the bulk of it went East and South.

#### FREIGHT VALUE OF DRESSED MEATS.

Senator HARRIS. So that the freightage of the product that you shipped out of this city is a very large item?

Mr. MARTYN. Probably, from being so much heavier a freight, it is as important as that of any other house.

Senator PLATT. What reason do the men who fix tariffs give for making so much larger a rate upon dressed animals shipped in refrigerator cars than upon live animals?

Mr. MARTYN. They claim an excessive weight to the refrigerator cars; then there is the ice that was spoken of; and they claim that they can-

not employ these cars to bring goods back in. There is a good deal of fallacy about it, because as a matter of fact they very frequently load our cars with dry-goods, or with fruits, or with any freight that would not injure the cars. They do use them in that way. I have had cars go clear to San Francisco and to Denver, and away up on the Northern Pacific road. I had a car come back once loaded with iron rail; and some were loaded with pig-iron from West Virginia. However, we never made any complaint of that.

The CHAIRMAN. Have you any understanding as to their using your cars?

Mr. MARTIN. Perfectly free. At first we objected, but we found that it was better to let them use them whenever they wanted to. But we try to have them bill them no farther than to Chicago.

Senator PLATT. Do they use the live-stock cars that go East?

Mr. MARTYN. Yes, sir. From Pittsburgh they get a good deal of coke. They get a good deal of freight.

#### COMPLAINTS HEARD WITH COURTESY; REMEDIES FAR OFF.

Senator PLATT. The fact about it is that there is a difference in the freight in favor of the live-stock shipper which very much tells against your business?

Mr. MARTYN. It is too great.

Senator PLATT. And when you make complaints you do not get any settlement of the matter, or any hearing?

Mr. MARTYN. I would not say that. Railroads always act with the most uniform courtesy. What the final results are is the point.

The CHAIRMAN. They are killingly polite.

Mr. MARTYN. They are very polite. I think to-day, as the pool weakens, their actions are more moderate. But I know well enough if this pool which was put into effect here two or three years ago had been an ideal pool we should have been snuffed out of the business. We never could have lived under it. But there have been weaknesses in all pools.

Senator PLATT. We have not yet found anybody who could tell us about the pooling system. Can you tell us why the railroads pretend to keep up a pool when they no longer observe rates?

Mr. MARTYN. I suppose on the same principle that a man keeps a fish-pole all winter, to go fishing with next summer. I do not know of any other reason.

The CHAIRMAN. It is handy to have when you are ready to use it?

#### SOME SUPERVISION REQUIRED.

Mr. MARTYN. Yes, sir. I feel that there should be some supervision of the law over interstate business. I feel that there should be some appeal outside of the officials who are paid by the railroads.

Senator PLATT. Practically, the railroads have now got a commission of their own?

Mr. MARTYN. Yes, sir.

Senator PLATT. All these pools operate as a railroad commission, pure and simple?

Mr. MARTYN. Yes, sir. I think Mr. Fink is a very able man, and perhaps a fair-minded man; but I do not know how any man can be fair-minded who receives his pay from the railroads themselves.

The CHAIRMAN. He looks at the question from the standpoint of the railroad, rather than from that of the outside people, you think.

Mr. MARTYN. Yes, sir; naturally. He is trying to make the railroads a paying property, and satisfactory as far as he can to the shipper. That is his business. I presume in time a great many of these things would be practically settled, but no small man, or man of light capital, could have made his way at all in this dressed beef controversy. It would have been simply impossible.

The CHAIRMAN. You think the pools would not have allowed him to do business?

#### THE OBJECT OF POOLS, THE INTEREST OF RAILROADS.

Mr. MARTYN. No, sir; that is what I object to about pools. There is no place of appeal. There is no absolute spirit of fairness in it, and I do not see how there can be as long as they are entirely in the interests of the roads. They are wise enough to vary things when they find it is going to hurt them.

Senator PLATT. The primary object to be obtained by the pool is the interest of the railroads?

Mr. MARTYN. Undoubtedly.

Senator PLATT. Then, if the public derives any advantage from them it will be because, in the long run, as to a particular matter, it is seen by the railroad men, or the pooling commissioners acting for the railroad men, that the interests of the public after all are the interests of the railroads?

Mr. MARTYN. Certainly.

Senator PLATT. But primarily the object is to protect the railroads?

Mr. MARTYN. Yes, I think that is it. The railroads are certainly of absolute importance to the wealth of the country.

The CHAIRMAN. You do not think the pool is organized in the first instance by the railroads to protect people outside of their own corporations?

Mr. MARTYN. No, sir; I should hardly expect them to do that.

Senator PLATT. And unless we can assume that the railroads through the pools will do justice to the shipping public and the producing and consuming public, there ought to be some tribunal to look after them?

#### REBATES.

Mr. MARTYN. Certainly. For instance, a year ago in January, I think it was, the pool rates were 35 cents on provisions, and were most strenuously adhered to, to all outward appearances. As a matter of fact, I believe every provision shipper and every grain shipper, who had any business worth seeing about, had a 10-cent rebate.

The CHAIRMAN. All of them?

Mr. MARTYN. Yes, sir; it was very general. That simply illustrates the folly of the pool in its strength. Of course they accused each other of breaking rates, &c.

The CHAIRMAN. What object had the railroads in giving the rebate if they were giving it to everybody who asked for it?

Mr. MARTYN. I think to hold up rates, where they could catch them on through shipments of stock. But every shipper who understood his business got his rates without the least trouble.

Senator PLATT. In a business like this, where the dressed-meat business comes in competition with the live-stock business, if one gets a rebate and another does not, there is a decided disadvantage?

Mr. MARTYN. Especially as the railroads, through Mr. Fink, their agent, have tied those two articles distinctly together.

The CHAIRMAN. Which?

## DRESSED BEEF AND LIVE-STOCK "TIED TOGETHER,"

Mr. MARTYN. Dressed beef and live stock. They are the same thing. In the pool it is all called live stock.

The CHAIRMAN. The same class?

Mr. MARTYN. Not the same class, but a road can offset shipments of live stock by dressed-beef shipments. They are tied together, and the rates go together. So that, of course, a railroad is obliged to refund if you discover the cutting of live stock. They have no sense of honor.

Senator PLATT. Still they will do it and leave you to find it out for yourself?

Mr. MARTYN. Yes, sir; and they, no doubt, did it believing it would not be found out, otherwise it would have been folly to do it, because they would have to let down the dressed beef also.

Senator PLATT. Have you a printed copy of Mr. Fink's report which was made in relation to the claim which Mr. Swift spoke of the other day?

Mr. MARTYN. Yes, sir; I have it.

Senator PLATT. Would you let us have it?

Mr. MARTYN. Yes, sir; I was there through all the meeting.

The CHAIRMAN. A small portion of your business only is the shipments of dressed beef and pork in refrigerator cars?

Mr. MARTYN. A branch of it; yes, sir. We have something over three hundred refrigerator cars running; fifteen or twenty cars a day.

## RECENT GROWTH OF DRESSED-MEAT BUSINESS.

The CHAIRMAN. How long has that branch of the business been in existence in this country? I understand you started it here.

Mr. MARTYN. No, sir; Mr. Hammond started that business. I could not say how long it has been in existence without referring.

The CHAIRMAN. It is only a few years, I believe.

Mr. MARTYN. A few years since it has grown into proportions. It has grown into prominence within the last three or four years. Before that it was done sometimes successfully and sometimes unsuccessfully. This fight did not begin until the live-stock men saw it threaten the stock-yards, and their business also.

The CHAIRMAN. Who owns the stock-yards along these lines of railroads?

Mr. MARTYN. I do not know who owns them. I know that in the meeting before Commissioner Fink, when this subject was discussed between the dressed-beef shippers and the live-stock men, there were about three dressed-beef men present, I think forty or fifty butchers, and eight or ten men interested in the stock-yards. The stock-yards pulled the railroads in that meeting.

The CHAIRMAN. Pulled with them?

## RAILROADS AND STOCK-YARDS CLOSELY ALLIED.

Mr. MARTYN. The butchers pulled with them, but they evinced their disgust with the stock-yards all the time. I presume the interest of the stock-yards and of the railroads must be closely allied, on account of finding the same officers in both. The Central is credited with owning the yards on its road, and the Pennsylvania is supposed to own its stock-yards, or else to be linked in with them. At any rate they fight for them.

The CHAIRMAN. Their interests seem to be identical?

Mr. MARTYN. The commissioner stated that the large charges should be offset by an equal amount in the dressed-beef expenses. They were to be shown up against each other in that way, in making the rates. That is by practically taking from the live-stock men so much for yarding and feeding the live-stock, and so much for the dressed-beef men.

The CHAIRMAN. Notwithstanding that the animals did not eat any hay?

Mr. MARTYN. Yes, sir.

Senator PLATT. What is the basis of the stock-yard charges?

Mr. MARTYN. There is hay and corn, which is usually charged for at a pretty round rate; and the yardage charge simply for passing the animals. That is supposed to pay the interest on their plant and investment.

Senator PLATT. Do you know what the charge is now for hay and corn?

#### EXCESSIVE STOCK-YARD CHARGES.

Mr. MARTYN. I do not know now, but my opinion is, that it is not often varied. You will see it in that report, and can get a general idea of that matter. It is something like \$50 a ton for hay in New York.

Senator PLATT. I think one gentleman said the charge was \$1.50 a bushel for corn.

Mr. MARTYN. I think the charges are pretty liberal.

Senator HARRIS. About how much greater are stock-yard charges for hay and corn than the market price generally?

Mr. MARTYN. I am not qualified to answer that. It would not be proper for me to state. My impressions are, of course, that they are large.

Senator PLATT. Has it or not always been claimed by live-stock shippers that those charges were exorbitant?

Mr. MARTYN. I think live-stock shippers have always objected to those charges, and have tried to cut them down, and I have no doubt there are private rebates to some of them.

Senator PLATT. Suppose you could have uniform rates in the same business under similar circumstances, even though those rates were higher than at present, do you think it would be better for business?

#### UNIFORM RATES DESIRABLE.

Mr. MARTYN. Yes; I should welcome such a state of affairs, because in the matter of rebates I do not consider that there is any profit to the shipper.

Senator PLATT. You represent a very large business house. On the whole all things considered, do you think it would be any particular advantage to have a rebate yourself, or a rate which other men in the business would not have?

Mr. MARTYN. That certainly would be an advantage.

Senator PLATT. It would be an advantage to you?

Mr. MARTYN. Yes, sir.

Senator PLATT. At first, but in the long run, taking the effect of it in all directions on the business as well as upon the producer and the consumer, do you think the effect of it is good?

Mr. MARTYN. No, sir; I think we may go a little too far on either side of that question. I think that a railroad should pay a shipper the amount that the business was worth to them over the business from

other people. I do not know how large or how small it would be. Here is a man, say with a hundred cars of stock.

Senator PLATT. The road could take that at a cheaper rate, you think?

Mr. MARTYN. Yes, sir; if they choose to give him that difference, I do not think it would hurt anybody.

Senator PLATT. But if they give him a less rate out of consideration of the fact that he is a large dealer, and therefore can enforce a rate which is not represented by the difference in expense to the road, is that a benefit to anybody in the long run?

Mr. MARTYN. No, sir.

Senator PLATT. Does it benefit the man himself who gets it?

Mr. MARTYN. No, sir; I do not think so.

Senator PLATT. Does not the demoralization of business that follows such a state of facts offset any advantage arising from it?

Mr. MARTYN. I think any system of rebates which would ruin other shippers generally would be a very serious matter.

The CHAIRMAN. It would be a serious matter to the public generally?

Mr. MARTYN. Very serious, and certainly would do the man no more good than it would the man who wished every one was dead so that he could keep a hotel. We need them all.

#### THE LESS LEGISLATION AT FIRST THE BETTER.

The CHAIRMAN. Have you thought about the question of what kind of legislation ought to be enacted by Congress upon this subject?

Mr. MARTYN. I think Congress ought to touch it very lightly at first until they find where they can go.

Senator PLATT. You think Congress should feel its way along by experience?

Mr. MARTYN. Yes, sir.

The CHAIRMAN. What do you think, as a matter of fact, Congress ought to do?

Mr. MARTYN. It seems to me that if Congress had a committee who had power to collect the evidence from the railroads and to get complaints from shippers, and examine and rectify them, it would be very desirable.

#### A COMMISSION WITH JUDICIAL POWER.

The CHAIRMAN. Do you mean that you would give that committee or commission authority to pass on the question whether a shipper has been injured, as in the cases you have referred to where you think there were discriminations against the shipment of dressed meats?

Mr. MARTYN. Yes, sir; I think they ought to. I do not know, of course, what would be constitutional and right for them to do; but there is no use in having a commission if there is not power.

The CHAIRMAN. You would give them power to rectify mistakes or wrongs?

Mr. MARTYN. Yes, sir. It would be a great misfortune if such a commission should injure the railroads in any way; but I do not think the first commission that was appointed would do that. I think it would be natural to lean towards the railroads, perhaps, for fear of going too far. I do not think the railroads could make a very clear defense of some of these things that I have stated before impartial men, and if a commission had power to say you must come nearer to the shippers' views, I think it would be beneficial.

The CHAIRMAN. You think it would result in their yielding to the judgment of the commission?

Mr. MARTYN. Yes, sir; I think so. I think, in fact, if there were such a commission to appeal to we never should have to appeal to it. The railroads know, perhaps, as well as or a little better than others when they are doing a wrong thing. Without doubt, the ablest minds in the country are employed by these railroads. They are picked right up, and are of the best kind. Of course, when a question of policy comes in, they do this or that; but they know what is right.

Senator PLATT. Then you do not think the railroads would feel it to be their interest to run counter to what was right or just, if there were some body which could demonstrate what was right and just, and publish it to the world?

Mr. MARTYN. That is just what I think. I think if the power were there there would be very little trouble.

#### PROHIBITION OF REBATES BY LAW IMPRACTICABLE.

The CHAIRMAN. You spoke a while ago of the payments of rebates being almost universal by railroads. What is your judgment as to the propriety or policy of the Government absolutely by law prohibiting rebates?

Mr. MARTYN. I do not believe you can do it unless you have a perfect control. I think you will have to have a very large and complete organization. Of course, if it were discovered, you could punish.

The CHAIRMAN. The Government might fail to enforce it; but would there be any danger, in your judgment, to the best interests of the country if a law were passed providing, for instance, for a commission such as you indicate, with a provision of the law prohibiting the payment of rebates under any circumstances, except where they were repaid for the purpose of correcting errors? Or would you leave that to the discretion of a commission to deal with as they thought best?

Mr. MARTYN. I think such points had better be left to the discretion of the commission. Most men have protection through the courts against rebates that seriously injure them. I should not be at all disturbed as to my being protected on a rebate if somebody else had an advantage, and I found it out. If it does not injure you there is nothing to find out.

Senator HARRIS. Is the rebate wrong in principle?

Mr. MARTYN. I do not think it is.

Senator HARRIS. In what cases do you think it should be allowed?

#### WHERE REBATES MIGHT BE PERMITTED.

Mr. MARTYN. I think if I take fifty or one hundred cars from a road and load them at my house, and ship them through to destination and unload them there, I am entitled to something better than the rate which was made for the purpose of covering all kinds of contingencies and for the slow process of picking up freights.

Senator HARRIS. In that case would the railroads be entitled to any more than the addition of the terminal charges in a case where you load your own cars and unload them? That makes a difference in the terminal charges?

Mr. MARTYN. Yes, sir.

Senator HARRIS. Is there any reason for it, except the difference of expense to the railroad company in handling the freight?

Mr. MARTYN. I think not, assuming the tariff to be properly fixed. Sometimes I think cases arise where there should be rebates given to all shippers. I think it should be done sometimes in the case of a geographical position, where a town is not able to hold its own against another town. That is when there is danger of its being snuffed out. I do not think it is right or best to enable one town to snuff out another.

#### IMPORTANCE OF UNIFORMITY AND STABILITY OF RATES.

Senator HARRIS. Do you not think uniformity and stability of rates very important to the business of the country?

Mr. MARTYN. Yes, sir.

Senator HARRIS. If you do not prohibit rebates can you secure stability and uniformity of rates?

Mr. MARTYN. The best rates you can make at times, by a certain combination of circumstances, become wrong or onerous at a certain point; must that point accordingly wait until the commission can get around to settle it, or should it be relieved and business go on in the mean time?

Senator HARRIS. Is not the remedy in a change of rates where the rates become wrong under certain circumstances?

Mr. MARTYN. If it could be changed promptly and quickly there could be no objection to that; if you mean by "uniformity of rates" the same rates in all sections of the country, I do not think there should be uniformity.

Senator HARRIS. I mean uniformity of rates between the same points under similar circumstances.

Mr. MARTYN. I have no objection to that.

Senator HARRIS. Of course, there may be one line of railroad which may be very much more expensive to operate than another line of railroad.

Mr. MARTYN. I would be in favor of fair rates, and rates that would pay railroads something on their business.

The CHAIRMAN. You believe in stable rates?

Mr. MARTYN. Yes, sir.

#### RATES ALWAYS PUBLIC.

The CHAIRMAN. And in publicity of rates?

Mr. MARTYN. I do not see any objection to it at all; in fact, rates are always public, I think.

The CHAIRMAN. As a matter of fact, they are open to the people who want to ascertain them?

Mr. MARTYN. Yes, sir; the railroads do it as a matter of advertisement.

Senator PLATT. The shippers in the country are very few compared with the people who travel on the roads. Suppose while there were an open passenger rate, there were all sorts of cut rates for passengers, made by the railroad companies; do you think that would be satisfactory to the public?

Mr. MARTYN. No, sir, I do not; it would be satisfactory to those who were getting it.

Senator PLATT. Why does not the same principle apply so far as affecting public tranquility in the matter of freight rates is concerned as would apply if passenger rates were all cut to individuals to a point where the railroad companies and the individuals could agree?



Mr. MARTYN. I do not know that I took any grounds contrary to that; I should think it would be a very good illustration of the confusion that would arise from a great variety of freight rates.

#### DIFFERENCE IN PASSENGER RATES WITHOUT DISCRIMINATION.

Senator PLATT. Under the present arrangement, when a railroad company makes a difference in passenger rates to those who travel a good deal, that is made public. They sell a 1,000 mile ticket at a less rate than they ask for a single ticket; but it is all public.

Mr. MARTYN. There is no secrecy about it; they might not advertise in the daily papers; but any man in active business would know it. I should think the 1,000-mile tickets were right, because they stimulate freight business, or are disposed to.

Senator PLATT. The thing that I was trying to get at was this: In a country where every man thinks he is entitled to just as much privilege as the next man, should not a man know what rate he can obtain, and should not the public know what rate can be obtained?

Mr. MARTYN. Yes, sir, I think so; assuming that the system of rebates is to be abolished. When the system of rebates is in force every able merchant must get them. He must be on a basis with his neighbor. When they are removed he is at rest, and there is no objection in the world to public rates.

The CHAIRMAN. The proposition that he must be on a par with his neighbor is an argument why rates should be made public, and why there should be no rebates paid?

Mr. MARTYN. Yes, it is an argument for that. It certainly would relieve the business community from a great deal of extra labor and trouble, and from occasional loss if the rebate system were entirely removed and the rates were public and stable. There is no doubt about it.

#### H. R. HOBART'S STATEMENT.

H. R. HOBART, editor of The Railway Age, appeared.

The CHAIRMAN. How long have you been editor of the Railway Age?

Mr. HOBART. About ten years.

The CHAIRMAN. You have noticed what we are doing here. Suppose you go right on now in your own way and state your views upon this subject of interstate commerce, giving us any facts pertinent to the subject that you think of.

Mr. HOBART. This morning, after going into the matter, I dictated a few facts and ideas. I must apologize for not having done more or better, but I have really been overworked this morning. But the statement I will make may suggest something of the position we take. Some of the facts may possibly be new, as they have been compiled from our own resources.

#### THE RAILWAY MILEAGE.

The railway mileage of the United States at the commencement of 1885 was about 125,500 miles. That is about 5,000 miles more than Poor gives in his last Manual. That does not include additional side tracks.

Senator PLATT. That means 125,500 miles of single track?

Mr. HOBART. That is considering each road as having only a single track, and does not count second or third or fourth tracks or sidings. It is the distance from point to point of the main line.

Senator PLATT. For instance, the New York Central is a four-track road. Each 100 miles of the New York Central would count 400 miles in the estimate, would it?

Mr. HOBART. No, sir; this is the length of line; distance between points.

#### AMOUNT OF CAPITAL STOCK OF RAILWAYS.

The capital stock aggregated about \$3,856,000,000. I have added to the accepted figures for a year ago from my best information, and in proportion to previous figures. These figures have not been published.

Senator HARRIS. Do you take, in that estimate, the capitalization of the road as they stand, or the actual cost?

Mr. HOBART. The capital stock that is outstanding. That includes, of course, all the capitalization.

#### AMOUNT OF BONDED INDEBTEDNESS.

The bonded debt is about \$3,939,000,000. In that I do not include floating debt or accrued interest, which is very large in the cases of many roads which are in arrears. That gives a total apparent investment of \$7,795,000,000.

#### NUMBER OF PEOPLE DEPENDING ON RAILWAYS.

These railways employ about 725,000 persons, and they thus support directly more than 3,000,000 men, women, and children. Indirectly they aid in supporting many millions more, concerned in the manufacturing, mercantile, and other interests of which the railways are very large patrons.

#### PERILOUS CONDITION OF RAILWAYS.

The railways are owned by hundreds of thousands of persons in this and other countries, many of whom are dependent in part or in whole for their support upon the returns of the capital stock or bonds in which they have invested. The prosperity of these railways is thus of vital importance directly to a vast number of people who are either proprietors, or employés or dependent upon other interests which the railways largely support. But no other great interest in the country makes so small return on the investment; no other great interest is to-day in so perilous a condition as that of the railways. While all other legitimate industries obtain the cheerful support of local and national governments, and legislation is shaped largely in their interest, the railway interest seems to be set up for attack by all classes of people and by all forms of civil authority. At the same time it is suffering grievously from wars within its own ranks and from the general depression of business, and the result is that to-day bankruptcy seems liable to overtake almost the entire railway interest of the country unless something is done to prevent it.

#### PERCENTAGE OF BANKRUPT RAILWAYS.

During the last nine years (the period during which we have kept statistics in The Railway Age) no less than three hundred and six railway companies, with a mileage of 25,850 miles and a capital stock and bonded debt of \$1,500,000,000, have been sold under foreclosure. That is, about 20 per cent. of the total railway mileage of the country, repre-

senting about 20 per cent. of the total investment, has been sold under foreclosure, the result generally being to wipe out the capital stock and a large part of the bonded indebtedness, and these figures apply only to the nine years commencing with 1876.

Still greater financial ruin seems now to be impending. During the first five months of the present year no less than thirty-one roads have been placed in the hands of receivers, representing a mileage of 5,988 miles, capital stock amounting to \$193,206,000, and bonded debt aggregating \$147,483,000, or a total of \$340,758,000. The total number of receiverships appointed in 1884 was thirty-seven, and already the first five months of the present year have almost equalled that number. Thus far this year, also, twelve roads have been sold under foreclosure, and this number is certain to be very largely increased before the close of the year.

#### THE RAILWAYS NEED PROTECTION.

The protection of our railway interest from ruin certainly deserves the attention of Congress as well as that of the several States. Whatever grounds for fear or complaint there may have been in past years in regard to the relations of the railways toward the people they have almost entirely disappeared. The positions have been reversed; it is now the railways which need protection, and they need to be protected both from the public and from each other. "Extortion" in rates charged for interstate commerce by rail does not now exist. Rates are too low rather than too high. They are to a large extent at present below the actual cost to the carrier. The average of freight rates has decreased enormously within a few years. In no other industry has the decline in charges been so great. The great railways are suffering enormously from the existing depression resulting both from legislation and competition, and all other interests in the land necessarily suffer with them. Instead of competition being a benefit to the public it is now proving a great injury.

#### UNCERTAINTY AND FLUCTUATION IN RATES.

There is no longer any danger that the public will suffer from excessive rates; their danger and suffering now in connection with the railways come and will continue to come from uncertainty and fluctuation in rates, and discrimination among shippers in the struggle to secure business when competition is unchecked. The remedy for these great and increasing evils seems to be to stop reckless competition, with its rate wars, by not only *permitting*, but by making *legally binding* pooling agreements among competing railways, whereby the temptation to secure business by cutting rates and discrimination among shippers would be removed. It is not necessary for the Government to fix rates to prevent excessive charges. Most of the States now have their railway commissions fully empowered to prevent extortion, and the mere existence of such authority would be sufficient even if the railways are disposed to make extortionate charges, which, however, they are prevented from doing by ordinary business considerations.

#### A COMMISSION APPROVED.

A national commission to act as a board of arbitration and advice on behalf both of the public and the railways would seem to be sufficient to protect the public, while legislation which should legalize pooling,

and if possible should compel the railways to keep faith towards each other and maintain uniform and agreed rates without discrimination among shippers, would tend immediately to avert the widespread destruction of railway interests now imminent.

Perhaps I should apologize for the editorial tone of this statement. It is a mere hasty glance at the subject, giving some general thoughts I had in my mind.

#### THE NICKEL-PLATE ROAD'S EARNINGS.

Senator PLATT. I saw it stated in the papers this morning that the earnings of the Nickel-plate railroad since the 1st of January, I think it was, for the first quarter of this year and for the subsequent months, notwithstanding the low rates and the war which had been going on, had increased. How do you account for that?

Mr. HOBART. I had not seen that. I do not know whether it is true or not. I consider it possible that the road controlling the Nickel-plate may have turned some business over to it for the purpose of making a better showing. That certainly is not the record in regard to most of the roads of the country.

Senator PLATT. I will read from The Inter Ocean a dispatch from Cleveland:

#### THE NICKEL-PLATE EARNINGS.

[Special telegram to The Inter Ocean.]

CLEVELAND, OHIO, *June 14.*—The appended statement shows the total earnings of the New York, Chicago and Saint Louis Railway for the first five months of 1885, and a comparison with the figures of 1884. The remarkable increase of \$14,683.77 is shown in the first three months over the earnings of the same period last year, and the still more remarkable increase of \$10,669.88 is shown in the earnings of May, 1885, over the earnings of the same month last year. This record is remarkable because it was made in spite of the lowest rates, freight and passenger, ever known in the history of railroads, and it is still more remarkable because the business of the Nickel-plate has been almost exclusively through business, and this business more than any other has been affected by the rate war. But in spite of these facts, while other roads have been making great gaps on the minus side of the earnings of last year, the Nickel has been filling up a steady increase.

Mr. HOBART. The Nickel-plate is controlled, of course, by the New York Central and Lake Shore, and those roads can turn business on to the Nickel-plate as they see fit; and then, again, it was a new road a year ago, with no record whatever. It naturally ought to show an increase.

The CHAIRMAN. Do you recommend that some legislation by Congress should be adopted to control the action of these transportation companies, not only in their own interests but in the interests of the people at large?

#### ARBITRATION.

Mr. HOBART. I have been growing toward that feeling very slowly and reluctantly, because I do not believe in general that a political government is a good institution to run railways. But at least some supervisory power in the nature of an arbitration, it seems to me, would be a very great help to the railways as well as to the public.

The CHAIRMAN. You have had no actual experience in the operation of railroads, have you?

Mr. HOBART. No, sir; except as a civil engineer.

Senator PLATT. You think the investment in railroads pays less proportionately than the investment in any other kind of business of the same magnitude?

Mr. HOBART. Yes, sir.

Senator PLATT. Do you consider, in coming to that conclusion, that in almost every business a large proportion of those who engage in the business go to the wall, while a few only make profits?

Mr. HOBART. Yes, sir; taking individuals, that is true; but taking a kind of business such as the manufacture of cloth or iron, or anything you please, I think the returns are much better on the capital than the returns to railways—in other words, the business of selling transportation in this country.

Senator PLATT. The question which I ask is whether, in coming to that conclusion, you considered, for instance, the great losses that take place in the iron trade or in the cloth business, and whether you were able to determine what such kinds of business really yield. You have statistics which show what the railroad business yields, but you have no statistics which show what the iron trade yields, on the average.

Mr. HOBART. I have not, at hand. I have studied the statistics in regard to the iron trade for a number of years, and in regard to other manufactures. I know very many branches of manufactures have sometimes paid 50 and 100 per cent. for years; often from 25 to 30 per cent.

Senator PLATT. Do you mean that that statement relates to the whole business of the country, or to the management by some individual of his own business?

Mr. HOBART. In that case I refer to individual instances. I do not pretend to say that I have the exact figures for the result of the iron interest.

Senator HARRIS. Do you think the law requiring the publication of rates and the prohibiting a change of rates except upon a reasonable notice of five, ten, or fifteen days, or more, would furnish a remedy for the evils that you suggest, or would tend to remedy them?

Mr. HOBART. I think it might tend to do so, but I do not see how it would prevent them as long as railway officers do not observe faith towards each other, on account of the intense competition which is now permitted.

#### RAILWAY LICENSES FROM COMMISSION.

Senator HARRIS. Suppose an act of Congress should require all common carriers to obtain a license from the railway commission, subject to forfeiture if the road disobeyed the law in respect to those requirements. Do you think that would probably furnish, or tend to furnish, a remedy for the evils of which you speak?

Mr. HOBART. I think it would depend on what legislation you had back of it—how you regulated competition, which is the cause of the disturbance of rates.

Senator HARRIS. Take the various lines connecting Chicago and New York, and allow them to fix their own rates, but require them to publish those rates and not to change them, and not to allow rebates except for the purpose of correcting mistakes; and enforce those provisions in the manner I have suggested. Would that not have a powerful tendency to correct the evils that you have suggested?

Mr. HOBART. I think it would, if you can enforce such a law; if you can prevent rebates and still repress pooling, thereby encouraging competition. It seems to me that while competition runs riot, rebates or favors, or presents, or some form of discrimination, are liable to be made until roads have a common interest in maintaining rates.

## POOLS AN ADVANTAGE.

Senator PLATT. Do you think a pool, subject to the supervision of the national railway commission, would be an advantage, or otherwise?

Mr. HOBART. I think it would be an advantage.

Senator PLATT. You think it would do away with discrimination?

Mr. HOBART. I think it would tend very largely that way. It would take away the temptation from railway men to be dishonest toward one another, which they are now, and which they admit. I think it would benefit the public fully as much as the railways.

Senator PLATT. A railway manager now is under great temptation to permit what might be called underhanded dealings, is he not?

Mr. HOBART. Yes, sir; very great.

Senator HARRIS. If the plan suggested by my question of a moment ago should be adopted, would not the effect be that all of these lines connecting Chicago and New York, for illustration, would adopt substantially the same schedule of rates?

Mr. HOBART. I do not think they would unless there was some power binding them to maintain rates. There would still be the same temptation to some lines to cut rates in order to get business. But if one pool was legalized and there were penalties for violating its provisions, then the temptation would be taken away. I do not believe you can leave it to the roads voluntarily, in the present state of competition, to maintain equal rates.

## CHARLES A. CHAPIN'S STATEMENT.

CHARLES A. CHAPIN, acting president of the Chamber of Commerce of Milwaukee, appeared.

The CHAIRMAN. The purpose of the committee appointed by the United States Senate is to learn what they can from the people as to what action Congress shall take, if any, with reference to the regulation of commerce among the States, and the committee thought, as we were unable to visit every State, it would probably be agreeable to your city to have its board of trade and its chamber of commerce send a committee to let us hear you at this point. It will probably be more agreeable to you to go right on and speak on this subject in your own way.

## NATIONAL LEGISLATION REQUIRED.

Mr. CHAPIN. What I have to say I shall say principally from my experience in the shipping business. My shipping business has been what might come under the term of interstate commerce. My experience has been that some national legislation should be had to control this interstate commerce. Referring in my mind to some of the questions in the order named, I would say that so far as my knowledge in the business is concerned I have no knowledge of what might be termed extortion, but I think I have practical knowledge in the shipping business of unjust discrimination which, in my opinion, might be remedied by appropriate legislation.

The CHAIRMAN. Will you indicate wherein there is unjust discrimination as you have observed it?

Mr. CHAPIN. Principally the unjust discrimination has existed, in my experience, through the giving of preferences to some shippers over others, and in the matter of rebates or drawbacks; secretly cutting

rates and giving some shippers preferences over others. I regard that as one of the most serious questions existing to-day in the matter of interstate commerce. It appears to me that men engaged in business should all stand alike and should have an equal chance in business enterprises, and any subsidy given by corporations to one shipper over another seems to me to be absolutely unjust and ought not to be tolerated.

The CHAIRMAN. The result of that is that some men are built up at the expense of others.

#### MONEYED MONOPOLIES CREATED BY DISCRIMINATIONS.

Mr. CHAPIN. It builds up moneyed monopolies and absolutely crushes out enterprising young men and men starting in business. If capital well organized in the shipping business and systematically arranged cannot take care of itself in the battle of competition, the small shipper is entirely wiped out. They have their chance. I will give an illustration.

We will take a large miller in our city, who may be turning out ten cars a day of mill products—flour and mill feeds. If he is shipping that himself to Eastern markets, he may be shipping ten cars to ten different consignees or ten different markets. He sends it to the railroad yards to be loaded. He may load that in the cars of half a dozen different lines. There are dealers and commission men who are engaged in handling flour and mill feeds. They have their orders in the market and they are able to go into the market and buy. One shipper to day, I will say, may buy a car from this same miller. He may buy a car from another miller. Another shipper may buy a car. They all go down to the dock or are delivered to the cars in the same manner that the miller sends his, and ten or fifteen of them may make up as large a delivery as the miller. It would seem absolutely unjust for the miller to have any preference whatever over these other parties.

Senator PLATT. Do you mean to say that the miller does have a preference, as a matter of fact?

Mr. CHAPIN. I say experience has taught me that it has recently been done.

Senator HARRIS. It is in the form of rebate or drawback?

#### PRODUCER, MIDDLEMAN, CONSUMER.

Mr. CHAPIN. Yes, sir. The shipper may be buying of the miller and delivering to one business house, say, in Providence. The miller may be shipping to another business house in Providence. One business house may intrust its orders to the commission man in our market to attend to his business, and pay him his brokerage for it. If the miller gets an advantage over this dealer or shipper or commission merchant, or whatever he may be termed, the party who buys in Providence certainly has to pay a penalty for doing business that way. It throws everything into the hands of the miller. On the other hand, these millers are constantly relying on these dealers and shippers for a home market for a large proportion of their product. They will sell to us any day; but if they get a price or rate of freight less than we do, our business does not last long.

Senator HARRIS. The Providence man, in the case you put, would labor under a disadvantage to the extent of the commission he pays the Milwaukee commission merchant, and to the extent of the rebate or drawback given on the freight?

## INJUSTICE OF REBATES.

Mr. CHAPIN. Yes, sir, he might be willing to pay a brokerage for this reason: He might send his order to one mill which would not have the kind of stuff he wanted. He might send it to another mill, which might not have it; and he might spend a day or two in filling the order. On the other hand, he might take the convenience offered by the commission man and get what he wanted by sending the order to him to be filled. But to have an additional tax of a rebate would throw that much additional expense on his purchase.

The same thing occurs as to grain or as to any commodity that comes here. Some men rush into the market at different times of the year with large orders of fifty or seventy-five or one hundred cars. They only come in periodically. They might demand a drawback or a preference simply because at that particular time their orders are large, while another man, who has a steady trade, and may ship three times as many cars in the course of a year as this man, but distributes it over different roads to interior Eastern markets all through the East, might be barred out because he may have only one or two cars at a time.

The CHAIRMAN. He operates at a disadvantage as against the man who rushes in with an occasional large order?

Mr. CHAPIN. Yes, sir. On general principles, common carriers deal constantly with the commercial world, and if they are the creature of, or are subject to, national legislation, they should show no preferences among the people, in my judgment. It seems to me to be an equitable practice that should not have a question of doubt about it.

## PUBLIC CHARACTER OF RAILROADS.

The CHAIRMAN. Do you recognize the fact that railroads occupy a different relation to the public from the private citizen who is engaged in his own little private business, from the fact that they have obtained charters and are given the right of way through the country, and all that?

Mr. CHAPIN. Yes, sir; I so regard it.

Senator PLATT. Common carriers are a common necessity.

Mr. CHAPIN. They are very essential to the commerce of the world, especially in the United States.

Senator PLATT. And if to the commercial world, then to the whole public.

Mr. CHAPIN. Yes, sir. In my experience, in discussing this matter with shippers, I have not met a single shipper who seems to manifest any particular hostility against railroads. They regard them as a very essential factor in business. At the same time, they are not controlled in this matter of discrimination.

The CHAIRMAN. You regard that question of unjust discrimination as a great evil?

## STABLE RATES.

Mr. CHAPIN. Yes, sir; that, coupled with one or two other matters that seem to go in connection with it. For instance, stable rates is another very essential thing in business. Men who are doing business constantly rely upon a standard rate. They know how to buy and know how to offer goods and how to sell. They know how to distribute goods. They feel safe in doing business when there are no cut rates.

If those stable and equitable rates be fixed, that would settle the



question as far as any antagonism is concerned against the railroads. Not only has that been the feeling when I have talked with shippers, but I feel that way myself. Every shipper feels that all should have a fair opportunity to do business. The public understand that a large amount of capital has been invested in stock and bonds; and they understand that men have judiciously and honestly invested money in these transportation lines, and they believe those investments should be protected just as well as any others in the commercial world. Therefore a fair and equitable compensation should be given to these railroads and transportation lines which are engaged in interstate commerce.

#### UNIFORM RATES, WITH NO PREFERENCES.

Senator PLATT. Do you think that shippers would be willing to have one uniform rate for freight, which should not be departed from by giving to one shipper a better rate than to another so as to give one shipper an advantage over another?

Mr. CHAPIN. I certainly do. In my own mind I have an idea that if there were two maximum rates a year—and I would fix one to be known as a summer rate and the other as a winter rate—it would be a very desirable thing.

The CHAIRMAN. Would you or not have those rates fixed by statute?

Mr. CHAPIN. It is pretty difficult to determine whether iron-clad legislation should fix a rate without thoroughly knowing the cost on which to base those rates.

The CHAIRMAN. It would be a pretty difficult undertaking for the Congress of the United States to fix rates, would it not, by specific statute?

#### DIFFICULTY OF FIXING RATES BY STATUTE.

Mr. CHAPIN. I think it would, arbitrarily; but I think if a thorough investigation could be had, so that the Congress of the United States could be possessed of all the details of expenditure, and could ascertain whether economy had been practiced and industry had been looked into on the part of corporations in running their freight and passenger business, and then their net earnings could be coupled with it; and if it could be ascertained also what they have been charging for passenger and freight rates, they could form a pretty correct idea of what might be fixed as a maximum rate.

The CHAIRMAN. To apply to the whole country?

Mr. CHAPIN. Yes, sir; scheduled through. For instance, take the same basis that they are working under now.

#### MAXIMUM RATES.

The CHAIRMAN. If the rates are to be fixed by law, named in the statute, it would have to apply to the whole of the United States unless the country were laid off in sections. Would it not necessarily follow that that rate would be so high that it would be practically of no account to a large portion of the country?

Mr. CHAPIN. A rate might be fixed not too high. I would not wish to express myself as advocating the fixing of an absolute rate by the Congress of the United States.

The CHAIRMAN. What do you think about delegating that authority to some commission or special tribunal, and requiring that tribunal to work that subject out and fix a rate?

Mr. CHAPIN. If they could be legally empowered to do it, I presume it could be more equitably done that way than by exact legislation fixing a definite rate.

#### MAXIMUM RATES A BARRIER TO EXTORTION.

Senator PLATT. Wherein exists the necessity for a maximum rate being fixed in some way, even if it were practicable?

Mr. CHAPIN. It throws a barrier around the tendency to extortion.

Senator PLATT. But you think there is no charge of extortion at the present time?

Mr. CHAPIN. Not at the present time, but if legislation is to be had on the subject, it might provide for that contingency.

Senator HARRIS. If you were going to fix by law a maximum rate, would you or not fix it high enough to enable the road which has cost the most per mile to at least do a living business? And if you fixed it so high, would it not be wholly inoperative as to roads more cheaply built, but which could afford to do business on much better terms to the shipper?

Mr. CHAPIN. I should say that that question might be averaged up. These transportation lines run over different roads. They fix their own proportion among themselves in making a through tariff. I have not given that subject sufficient thought to express an opinion on it.

The CHAIRMAN. Are you familiar with the law of your own State on that subject?

Mr. CHAPIN. I am not. Some of the other gentlemen here are more acquainted with it. I have had to do exclusively with Eastern and foreign shipments.

The CHAIRMAN. You have had a maximum-rate law, and I am not sure but that it is in force yet.

Mr. CHAPIN. Mr. Elliott and Mr. Bacon and some of those other gentlemen are thoroughly conversant upon that part of the subject.

Senator PLATT. Do you think there is any discrimination for or against Milwaukee in reference to other places, or is it fairly treated as to through rates with reference to other places?

#### MILWAUKEE FAIRLY TREATED.

Mr. CHAPIN. Milwaukee I think has been treated very fairly, having an outlet to Eastern markets. I should not find any particular fault. That is, if the rates we are said to have are allowed us; if others in other markets have not been rebated. They may have been. Sometimes quotations in Eastern markets would indicate that the railroads have cut rates against Milwaukee while ostensibly holding us even with others on the tariff.

Senator PLATT. You think fixed rates are right?

Mr. CHAPIN. Yes, sir; the tariff of rates has treated us very fairly. We have nothing to complain of on that subject as to Eastern shipments, so far as I know.

#### POOLING.

I notice as to one question you ask in regard to pooling. It is my opinion that if a maximum rate were fixed, pooling, under adequate restriction and publication, and general knowledge in relation to it all the way through, would not be undesirable. It might be had judiciously if it is what is known as a freight pool in contradistinction to a money

pool; provided, however, if it is a freight pool, that a shipper should have the privilege of designating the route. I speak of this on account of the desirability of terminal facilities

If I should be shipping from Milwaukee to Philadelphia, and if my property should arrive in Chicago and be turned over from the Pennsylvania road to the Erie road, and it should be given an entirely different delivery in Philadelphia, it might embarrass the receiver there on account of distance.

Senator HARRIS. Could the pooling agreement be carried out if the shipper has the right to designate the line over which his freight shall pass, if it is a freight pool as you suggest?

#### THE SHIPPER'S RIGHT TO DESIGNATE THE ROUTE.

Mr. CHAPIN. I think so, and I will tell you why. A very large class of shipments are bought to be delivered to the general Eastern markets, say Boston, Providence, Portland, New York, Philadelphia, and Baltimore, without designating any route whatever. Those could be turned over very satisfactorily to any road running out of Chicago that might be engaged in the pooling arrangement. But there are times in distributive trade where parties specify that they want their stuff to come in over such a road so as to have such a delivery; and while the proportion of freight as to which there would be an actual designation of the line for the convenience of delivery is not large—that is my experience in the business, although it is quite a considerable proportion—I do not think it is so much as to interfere with the pooling system.

Senator HARRIS. You think practically the right to designate the line would not defeat the power of the companies to transfer or divert trade enough to equalize?

Mr. CHAPIN. I think so.

Senator PLATT. Are you cognizant of the sentiment of the producing public in Wisconsin so that you can state whether they think railways are fairly managed.

#### WISCONSIN SENTIMENT FAVORING LEGISLATION.

Mr. CHAPIN. I have conversed with a good many persons in the State of Wisconsin who are engaged in railroad business; that is, doing business over railways; and I have conversed with others who are close observers, and I must say, from my experience, that there is a general sentiment in our State that proper, moderate, but decided national control over interstate commerce would be to their liking and would be desirable.

Senator PLATT. How does the farmer regard the railroads in Wisconsin, as his friends or as his enemies, speaking generally?

#### HOSTILITY TO RAILROADS MODIFIED.

Mr. CHAPIN. I think the sentiment of hostility against railroads which existed years ago has become somewhat modified. A good many of those that I have talked with and have met in our chamber of commerce, as well as those I have met when I have been out in the State, think that stable rates prevent the disorganization of trade. If there comes a sudden break in the rates, people in the East hold off from buying, and trade becomes in a measure demoralized. Trade becomes stagnant when it might go along steadily, and when there might be a steady flow of business naturally.

Senator PLATT. Do you not think that the farming population of Wisconsin generally would be satisfied with rates which would pay a reasonable profit on the capital invested in railroads if they were assured that those rates would be standard and uniform?

Mr. CHAPIN. Yes, sir; if they were assured that the capital they had invested had been judiciously invested and not swelled to an undue proportion.

Senator PLATT. In other words, if the railroads had been honestly built and had not been capitalized under consolidations for more than they were worth?

Mr. CHAPIN. Yes, sir; I think so.

The CHAIRMAN. Farmers regard the transportation companies of the country in about the same light as business men in the cities, do they not?

#### THE FARMERS AND THE RAILROADS.

Mr. CHAPIN. Yes, sir; as they become more familiar with the necessity for railroad business and railroad traffic. As I said, their views have become somewhat modified in regard to them. They feel fairly toward the railroads and feel as though the capital which was properly and honestly invested in any event ought to have fair returns.

Senator PLATT. Assuming that railroads have not been honestly built, so far as their capitalization is concerned, and that the ownership has generally passed out of first hands and into the hands of persons who may be called honest investors, what is to be done, if the Government can regulate that matter? Should it so control the railroads that they shall pay a fair profit only on their reasonable cost and value, or should it so regulate them as to let them pay a fair profit on their capitalization?

Mr. CHAPIN. It is a pretty subtle question.

Senator PLATT. It is a very interesting and difficult question.

Mr. CHAPIN. It is a subtle question; still I might say this, that one cannot tell what can be done until he tries. Business men often make a success by economy and industry and close application and attention to their business. If railroads were restricted and compelled to manage their business economically and industriously and carefully the cost of transportation might be materially reduced.

#### COLLECTION OF FREIGHT BY RAILROAD COMPANIES.

Senator PLATT. Is there great competition between different lines of railways for business in Milwaukee?

Mr. CHAPIN. I should say there was a pretty brisk competition, especially lately.

Senator PLATT. Do they or not send out agents to try to get business?

Mr. CHAPIN. Business in our market—freight business—has not been sought very particularly or excessively by the different freight agents.

Senator PLATT. We were told somewhere that that was done.

Mr. CHAPIN. At times it is done heavily; but I mean in the ordinary way of doing freight business.

The CHAIRMAN. Do the railroads gather it up as an express company does?

Mr. CHAPIN. I do not know much of that in our city; there is hardly any. We have facilities for delivering merchandise freight which are very complete. We have long warehouses, and, you might say, differ-

ent points for distributing it along throughout the country. The merchants distribute small lots. The freight is delivered down there, and is receipted for by the check clerks, and they know about where it is going, and about what quantity there is to be delivered at one station or at another, and it is dropped along the road. There are long sheds where merchandise freight is sent, of all conceivable descriptions almost. They are shipped out in very methodical order; but as far as my knowledge is concerned, they are all delivered to the shippers and receipted for there. They do not go around and gather up the freight at all. Years ago the D. & M.—

Senator PLATT. What is that?

Mr. CHAPIN. A line of boats. The Detroit, Milwaukee, and Grand Haven line used to have teams that would go to the mills and take the flour down to the docks; but that has long since been abolished, and deliveries are made to their docks, from which it goes to Grand Haven, and is then taken by their railroads on east.

Senator PLATT. How many competing systems of railroads have you to the east?

#### NUMBER OF RAILROAD SYSTEMS TO THE EAST.

Mr. CHAPIN. The Baltimore and Ohio reaches some eastern points, the Pennsylvania, the Erie, the West Shore, the New York Central, the Delaware, Lackawanna and Western, and the Grand Trunk.

The CHAIRMAN. The product that you ship from Milwaukee to New York or to Boston on leaving your warehouses is shipped by boat to Buffalo, is it not?

Mr. CHAPIN. Package freight, in the summer season, during the season of navigation, is largely shipped down the lakes.

The CHAIRMAN. If it is to go to New York, it goes by way of Buffalo?

#### BOAT CONNECTIONS WITH EASTERN ROADS.

Mr. CHAPIN. There is one line which takes package freight from Milwaukee to Erie that runs in connection with the Pennsylvania road. It is known as the Anchor Line. There is the Western Transit Company that runs in connection with the New York Central road, that takes freight to Buffalo. There is the Union Steamboat Company, that takes freight to Buffalo in connection with the Erie system.

The CHAIRMAN. When you ship freight on either of these lines you ship it clear through to the final point of destination?

Mr. CHAPIN. Yes, sir.

The CHAIRMAN. Do you deal with the boat men or with the railroad men?

Mr. CHAPIN. We deal exclusively with the agents of the boat lines. We take their bills of lading.

The CHAIRMAN. Their bills of lading carry your freight over the road that they connect with, do they?

Mr. CHAPIN. Yes, sir; they specify through rates.

#### LEGISLATION FOR BOATS AND ROADS.

The CHAIRMAN. You believe in some sort of legislation by Congress which would prevent discrimination, and which would exercise a supervisory control. What is your judgment in reference to the control of these boat lines?

Mr. CHAPIN. The same control ought to be had over those as over the railroads, precisely.

The CHAIRMAN. Otherwise the attempting to control inland commerce that goes in connection with water transportation would be a failure, would it not?

#### OVERCHARGING OF FREIGHTS.

Mr. CHAPIN. Yes, sir. There is another evil that has grown up in interstate commerce, and it is a very serious one. That is the overcharging of freights. I will illustrate it very briefly. Shippers in the West who ship their flour and grain to export markets and foreign markets are never known to have a bill of lading overcharged. The freight goes there and the amount to be paid at the point of destination is just as it is specified in the bill of lading. Perhaps there may be a very rare case of clerical error in the extension of the rates as applied to the quantity.

But as to inland transportation it is simply exasperating when you come to know to what extent the railroad companies are constantly making forced loans on the shippers. They do not pretend to carry out their bills of lading. It might be said that the party who owns the bill of lading, when the draft is attached to it and he pays the draft and the bills of lading cover the property, is entitled to the property upon presentation of that bill of lading. It comes through overcharged and the freight agent at destination says, "Well, our way-bill calls for so much and we must have it. All we know is what is on the way-bill. That comes to us to collect and we must have it." The party who buys the flour or oats or corn down there says, "My bill of lading calls for so much wheat at such a rate of freight, and it should be so much." The freight agent says, "I can't help that. I can't make any settlement other than what my way-bills call for." Rather than have any trouble and delay—he may want his stuff immediately—the party pays it. He sends his original bills of lading and expense bills as evidence back here to the shipper to settle. The parties there won't entertain the matter. The overcharge is put on somewhere. Every shipper's office in the West is filled and crammed with those overcharges, and something ought to be done to regulate them.

Senator PLATT. What do you mean by an overcharge? Is it a freight charge upon a larger quantity than in fact is shipped?

Mr. CHAPIN. Either for a larger quantity or at a higher rate of freight. Almost always it is a higher rate of freight.

Senator HARRIS. A higher rate of freight than is specified in the bill of lading?

Mr. CHAPIN. Yes, sir. As to quantity and weight, the system is very accurate and methodical. Where the packages are all uniform that can be ascertained at once; while in bulky stuff they have a system of weights that is perfect, and they know what is in a car before it starts. Therefore the car should on the way accumulate no more charges according to the terms of the bill of lading. But they take it on.

#### IMPOSSIBILITY OF TRACING OVERCHARGES.

The CHAIRMAN. What possible excuse have they for taking it on?

Mr. CHAPIN. We cannot find out anything about it.

Senator PLATT. You, as a shipper, contract for a car-load of grain to go through to Boston at a certain rate of freight, the weight being specified?

Mr. CHAPIN. Yes, sir.

Senator PLATT. When it gets to Boston what is the nature of the overcharge?

Mr. CHAPIN. I will put it this way: Suppose I put 800 bushels of oats into a car, and the rate of freight, say, is 8 cents a bushel. The party at destination should pay \$64 for that freight. When it arrives there it may be \$72 or \$73.

The CHAIRMAN. How does that come about?

Mr. CHAPIN. It is tacked on in transit.

The CHAIRMAN. For what?

Mr. CHAPIN. Nobody can tell. You can never get them to tell. They put it on somewhere.

Senator HARRIS. Please explain to me what this way-bill is that accompanies the freight.

Mr. CHAPIN. That is an expense bill known in commercial phrase.

Senator HARRIS. Is that made out over each road belonging to the system over which the freight passes?

Mr. CHAPIN. Yes, sir; it follows right along.

Senator PLATT. One division charges more than its proportion then?

Mr. CHAPIN. All the expense bill shows at destination will be the proportion of the last road that hauls it; and on it will be the expenses. That means what has been previously charged.

Senator HARRIS. What it has paid other companies?

#### OVERCHARGES RARELY REFUNDED.

Mr. CHAPIN. Yes, sir. I have charges of hundreds and hundreds of dollars in my office now that have been standing out for one or two years; and I have been trying to collect them back from these roads, but they are still unpaid. A man who receives 5 car-loads of oats or corn may have \$25 or \$40 overcharge, and it keeps accumulating. That man wants to be made good, and he sends them back to the shipper who shipped the goods from the West. To keep his trade, the shipper naturally, on the first of the month, settles with him and sends him a draft on New York. He doesn't want any odds and ends about. He makes it good in a business way. Then he falls back on the railroad companies to make him good.

Senator PLATT. And what is his experience there?

Mr. CHAPIN. His experience is outrageous.

The CHAIRMAN. You do not get your money?

Mr. CHAPIN. No, sir; we do not get our money at all.

Senator PLATT. Do you get it finally?

#### MILLIONS OF DOLLARS OF OVERCHARGES.

Mr. CHAPIN. It comes along by installments occasionally, but sometimes they freeze you out. If I were to go into detail I could entertain you a good while on this matter. I have had some queer experiences. Judging from what shipping I do, and multiplying the shippers by hundreds and thousands, it seems to me that these transportation lines have millions of dollars of floating indebtedness that never appears in any report. They are hung up in the wind; they are put into pigeon-holes and kept there, and parcelled out by payments, and then they come in as a matter of expense.

Senator PLATT. What is the occasion for these overcharges? Does it arise from the effort of one railroad to get a little more than its share as the merchandise passes over its line?

## NO OVERCHARGES ON FOREIGN SHIPMENTS.

Mr. CHAPIN. I have sometimes thought it was a deliberate case of swindling. I will not be so extreme as that, however, but it seems to me it arises from an ardent desire to make a good showing in net earnings. It certainly is not carelessness, for I am shipping right over these same lines to Boston, and I put my stuff aboard the Anchor Line or the other lines that take freight to Liverpool or to Glasgow or to these other foreign markets, and not a shilling is overcharged. But if I stop it down at Concord or Worcester or Springfield, or some of those interior New England points, then these overcharges go on. We cannot account for it. It says on the expense bill, "expenses" so much, which expenses, added to the charges on the terminal road, make the amount more than the bill calls for.

The CHAIRMAN. What does the man at this end of the line have to say when you get it back here?

Mr. CHAPIN. He says, "Put in your claim and we will punch it up and push it through for you." We write him a letter about once a week on all of these claims.

The CHAIRMAN. You sometimes get your money back?

Mr. CHAPIN. Finally we get disgusted, as I did the other day, and put a large batch of them into the hands of an attorney and tell him to collect them. I have to pay out a large proportion of what belongs to me in attorney's fees in order to get my just rights. A bill of lading ought to carry the freight without any additional expense exactly as a passenger ticket ought to carry you to New York without additional expense.

## REBATES FORCED ON SHIPPERS.

Sometimes they force this rebate business on to you. I have had experience in that. For instance, the current rate to-day is so much. I had some experience last year. I said, "I have got orders for twenty-five cars now and I have bought the stuff and it is sold, and I will send it down promptly. The twenty-five cars will all be down as soon as it can be delivered by the mills, and as soon as I can get it transferred; it will probably all be off within ten days." We will say the rate is 20 cents to points known as Boston freight points. The charge is the same to a large number of points as it is to Boston. Two days after comes an order from a general freight traffic manager, which I believe is the title: "Bill no more goods at that rate. Bill it at such a rate." The rate mentioned is the rate before this cut. It was an open cut, and everybody was taking it and rebating it. Well, I had five cars delivered before this order came back. They ran the other twenty cars through at \$20 a car overcharge above what I expected. Now, I advanced \$400 last December or November, and I have not got that money yet. They forced us to take a rebate when they should have taken that contract and delivered the stuff just as they had done for anybody else.

The CHAIRMAN. They offered you a rebate and then did not pay it?

## REBATES OFFERED AND NOT PAID.

Mr. CHAPIN. Did not pay it. It was an open rate at which every line was taking it that was doing any business. They should have said, "All right; deliver this stuff within such a reasonable time, as you have specified, and we will send it on." They do not recognize bills of lading. A year ago last winter I delivered some stuff and took a bill



of lading for it. There came a blockade that bothered them, and in the mean time the rates went up. Every car went through at an advance, notwithstanding the fact that they had the property in their possession and had issued bills of lading for it. They did not recognize the bills of lading at all, and there was an overcharge of several hundred dollars, and I haven't got that money yet. They do not recognize bills of lading when they are given in good faith, even when they take the property ready to ship and it is in their possession. I suppose those are forced rebates.

The CHAIRMAN. There does not seem to be very much force in regard to paying them.

Mr. CHAPIN. No, sir.

Senator PLATT. Do you think that this system of overcharges and rebates results in an advantage to a weak railroad company by giving it a little more money to work with for the time being?

#### IRRESPONSIBILITY OF FAST FREIGHT LINES.

Mr. CHAPIN. I should say it did. I will give another illustration: A year ago this summer a transportation line, known as a fast freight line, came into the market and said they were giving 5 cents rebate. That line ran principally to Philadelphia. I had quite a trade at that time in the shipment of oats to Philadelphia. I offered some oats at the current tariff rate, and the parties telegraphed back that they could do better. The amount better they could do was just about this 5-cent cut. So I went to the agent and said, "I will give you ten cars at this rate and you must give me prompt payment of this rebate." In order to do the business in that case I was forced to go and ship over this line and take its rebate, or else my trade was gone and somebody else would be filling the orders. So I shipped it promptly, and sent in the account for the rebate. A few months afterwards that line went out of business, and the agents went out of town, and the offices closed up, and my several hundred dollars of rebates are in the wind yet. I don't know who to look to for it. They have the money. I advanced that money in fact. Such things ought to have some restriction put upon them.

#### SHIPPERS OPPOSED TO REBATES AND DRAWBACKS.

I do not believe there is a shipper in my experience who would of his own choice ever like to take a single cent as a rebate or drawback. There may be some who have no regard for any principle or equity in business, and who think if they could get a large lot of rebates they would just as soon do it in order to monopolize business and wipe out little shippers. But that class of men are very few. The large bulk of honest, industrious men who want to engage in business are perfectly willing to go into the business world as fair competitors and do business on a straight business basis, and stand their chance in honest, open competition.

Senator PLATT. In your experience, what proportion of business men really believe that honesty is the best policy? I ask that question for an object.

#### HONESTY THE BEST POLICY.

Mr. CHAPIN. You have asked that question of a pretty good man, for I have a great deal of faith in humanity. I always believe a man is honest until he is shown up fairly and squarely to be dishonest, and I

deal with men right straight through on that basis—railway men and everybody else.

Senator PLATT. I quite agree with you in that view, and believe that the general sentiment which attributes wholesale dishonesty to business men is a very erroneous sentiment.

Mr. CHAPIN. I have found it to be so. I have a wide distributive trade, and I have shipped to all classes of persons and of business standing, and I have not had any trouble in dealing with men on straight business principles. In my business experience I find that business men have some respect for their business standing.

I have told you about the sum and substance of my experience. I desired to put it in a practical light, because it is just what I have experienced and what I may experience to-morrow or next day.

### ROBERT ELLIOTT'S STATEMENT.

ROBERT ELLIOTT, grain commission merchant, of Milwaukee, appeared.

The CHAIRMAN. You have been listening to the proceedings. Will you give in your own way your views and experience as a business man dealing with transportation companies especially.

Mr. ELLIOTT. My experience has satisfied me that there should be regulation of inter state commerce by the General Government. That conclusion is forced upon me by the fact that rebates are a great evil, and that unjust discriminations obtain with reference to those rebates.

### INJUSTICE OF REBATES ILLUSTRATED.

I can recall the late fall of 1877, and a part of the winter, when certain very wealthy and influential dealers undoubtedly had large rebates between Chicago and New York. I had a number of large interior customers. They could sell their grain through me in Milwaukee or Chicago—I have an agency here—at market rates. But this wealthy Eastern firm would buy their wheat in large lots and would give them more for it than the market price, the property being consigned directly to the Eastern connecting road, and transported to New York for export. It was manifest that that firm had an advantage at first of about 3 cents a bushel, or 5 cents a hundred. We could not prove it, but that is about the relation of their prices for my customer's grain to the prices obtainable in the open market. They diverted from me a million and a half of wheat at least in that way during that late fall and winter, diverting from me, or my firm, about \$15,000 of commissions during that time.

Senator PLATT. What has become of them now?

Mr. ELLIOTT. They are in business now. They are the one of the largest and most influential firms. Members of that firm were large stockholders in railways. They were directors in railways. They had large railway influence. They had the advantage of me.

The CHAIRMAN. Were they stockholders in any road over which these products had to go?

### DISCRIMINATION AGAINST MILWAUKEE.

Mr. ELLIOTT. Yes, sir; they are said to be. You asked the previous witness in regard to discriminations against Milwaukee, with reference

to this rebate system. As he stated, the sea-board rates usually are the same from these lake ports, Milwaukee and Chicago, to seaboard points. That is, the open rates, the tariff rates. But when rebates obtain we do not very often get them at Milwaukee. After it becomes an open secret and when it is acknowledged on all hands, the cut rate will reach us for a few days. Then there will be a general hauling up between the eastern roads, and they will say to us, "Whatever there has been, rates are now solid. Everything is solid." Then the covert business will begin again after a little, and we will be the sufferers.

The CHAIRMAN. They give you fair play until they can make another bargain?

Mr. ELLIOTT. Yes, sir; until the secret gets so common, and there are so many to keep it, that it is no longer of any service. Then they will "solidify" rates again, as they call it, and the outside points—points not in a direct line—will suffer. This cutting of rates generally obtains at the great centers more than at the smaller points. In Milwaukee we pay from the interior points west of the Mississippi River, and West of the central part of our State, Chicago rates, although the distance is much shorter to us; and in billing out to the sea-board points they claim to give us the same rates. But when cut rates obtain, which is more than half the time, we do not get them. We suffer.

Then from our point to local points in Pennsylvania and in Ohio and Indiana the open tariff is higher than it is from Chicago. Having paid Chicago rates on the freight, we are obliged to pay more to those interior points than Chicago pays. So that the property run from Minneapolis, say, via Milwaukee to Pittsburgh, over the same rails all the way, will pay a couple of cents more if stopped and marketed at Milwaukee than if stopped and marketed at Chicago. That is the common condition of things with reference to that part-way traffic. As I said, to the sea-board they pretend to give us the same rates, and do give the same open rates.

#### MILWAUKEE PROTECTED IN SUMMER BY THE LAKES.

In the summer season, when lake navigation is open, we are in a position where we can defend ourselves. Our lake and rail rates, or lake and canal rates, give us just as good a position as any through rail communication could possibly give.

Senator PLATT. What is the tariff rate per hundred on grain from Milwaukee to New York?

Mr. ELLIOTT. I think to-day they are carrying for 13 cents.

Senator PLATT. Is that the tariff rate or the actual rate?

Mr. ELLIOTT. I do not know what the tariff is. It is the open announced rate. I do not know that they publish any tariffs, except to send them to their agents. It is 11 cents to Philadelphia.

Mr. CHAPIN. And to New York also.

Mr. ELLIOTT. I have not heard of it as being less than 13. It was announced to me to be 13 to New York, 11 to Philadelphia, and 10 to Baltimore.

Mr. CHAPIN. Thirteen all rail, and 11 lake and rail.

Mr. ELLIOTT. Thirteen all rail. That was the question asked.

Senator PLATT. What is the actual practical rate?

#### OVERCHARGES ON BILLS OF LADING.

Mr. ELLIOTT. They are not giving any covert rates from Milwaukee now that I know of. In regard to these overcharges on bills of lading,

I wish to say that it is of common occurrence. Recently I sent some wheat, on an order, to Suspension Bridge. It was before the last drop in rates. The bill of lading and the agreement was 12 cents per hundred. When it arrived there they charged the consignee 15 cents per hundred—an additional 25 per cent. He had to pay it, or not take the property. He had paid the draft against the bill of lading before the property got there. He took the property and paid the 15 cents, although he tendered his bill of lading at 12 cents.

#### RAILROADS DISREGARD BILLS OF LADING.

They would not pay any regard to that bill of lading. They do not count a bill of lading a contract for anything. The bill of lading does not cut any figure in the business.

Senator PRATT. How do they dare to disregard it?

Mr. ELLIOTT. That is what no fellow can find out.

Senator PLATT. Do they assume that a shipper will not bring suit against them?

Mr. ELLIOTT. I presume that is the general assumption. There was \$7.50 overcharge on those cars of wheat. The assumption is that the railroads, having their paid attorneys, paid by the year, the most competent attorneys in the United States, a man cannot contest with them knowing that they will carry any case to the court of last resort.

The CHAIRMAN. It would cost more than the claim of the man would be worth?

Mr. ELLIOTT. Yes, sir; it would wear out his patience, and wear out his pocket to test the case.

Senator PLATT. While there is nominally freedom of dealing with the railroad company, it is rather involuntary in fact?

#### A COMMISSION TO FIGHT THE INDIVIDUAL'S BATTLE.

Mr. ELLIOTT. Yes, sir; that is the reason that most men are in favor of legislation with reference to interstate commerce. The majority of opinions favor its being done through a commission that would be vested with power to fight the battle of the aggrieved party, so that he should not be compelled to go into court and wrestle with this matter. The burden of the fight should be upon the commission. They should bring the delinquent road into court. If that were the case you would not have any such delinquents. They would desist from any such practices, and the citizen would only have to lay his claim before the commission, and the commission would only need to call the attention of the delinquent road to the fact and the wrong would be promptly corrected. I have great faith in the efficacy of legislation upon the general question and in the workings of a commission.

#### NUMBER OF COMMISSIONERS.

That commission should be large enough so that it could have at least two or three members at every one of the large commercial centers, say at one of the principal sea-ports, and at Chicago and at San Francisco, and perhaps at New Orleans. Let them work on one general system and have conferences from time to time.

#### FLEXIBLE MAXIMUM RATE.

As to the fixing of rates, the question has been asked whether, by reason of its application to roads of high cost a maximum would not be

so high as to render it of no value. I never had any idea that a maximum of rates could be made uniform throughout the United States. It must be governed by time, place, and circumstance, as everything else in business is governed. On the great highways rates would necessarily be less than they would be to points where the volume of business was much less, and the expenses in proportion to the amount of business much greater.

#### POOLING WITH MAXIMUM AND MINIMUM RATES.

If pooling be allowed, and I think it should be, under reasonable restrictions, it would be necessary to have a maximum, and perhaps a minimum, system of rates. In Illinois they have adopted that plan, and it seems to work well.

The CHAIRMAN. Are you familiar with the law of your own State?

Mr. ELLIOTT. I have read it. Mr. Bacon and I have been working on a committee with reference to State legislation, and we are familiar with it.

The CHAIRMAN. Will you give your own views about it?

#### THE WISCONSIN LAW.

Mr. ELLIOTT. The law of Wisconsin is very much less perfect than that of Illinois. We have but one commissioner, and his powers and duties are not as thorough and comprehensive as are those of the Illinois commission. We think it might be well for us to have an improvement. There is a maximum tariff in the State of Wisconsin that was made some ten or twelve years ago.

Senator PLATT. Was that tariff made by a commission?

Mr. ELLIOTT. It was made by the legislature, in general terms, that the rates charged by the railway companies in a certain year—I think it was 1871 or 1872, or along there—should be considered maximum rates; that is, the rates that had been fixed by the roads themselves.

The CHAIRMAN. Referring to some old schedule?

Mr. ELLIOTT. Yes, sir. The rates generally charged are much less than those rates. Those were the rates not long after the war, and when wages and materials that enter into the construction and maintenance of a road were more expensive than they are now.

#### RAILROADS BEHAVE WELL SINCE "GRANGER TORNADO."

But I will say this for the railways in Wisconsin, that since the experience of the Granger tornado in 1873-'74, and the knowledge of the power possessed by the legislatures, they have behaved very well. I do not think there has been much unjust discrimination in the State of Wisconsin. There have been rebates given, but I doubt if they have been much in the way of unjust discrimination.

Senator PLATT. Is there any local complaint of discrimination against places in Wisconsin, so far as you know?

Mr. ELLIOTT. Yes, sir.

Senator PLATT. Where a railroad is giving one locality an advantage over another by its rates?

Mr. ELLIOTT. Yes, sir; there are such complaints. There will be competition at certain points, and railways will meet it there, and not fully meet it at other points nearer. That diverts traffic from those points to the vortices of competition. Of course, that is an unjust dis-

crimination. I think the Illinois commission generally takes heed of such things, and calls the attention of the railway companies to complaints. I am told that the remedy is generally applied by the railway companies. They seem to give wholesome heed to the power of the commission; even if it is not within their legal power to remedy an evil, their presentation of it to the subsequent legislature will bring about the remedy.

#### NO COMPLAINTS LODGED WITH WISCONSIN COMMISSIONER.

Senator HARRIS. In your State are complaints lodged with your railroad commissioner?

Mr. ELLIOTT. The railroad commissioner said he had never had any complaints made to him. I do not think his powers are such that people think it would be worth while to appeal to him.

The CHAIRMAN. He has a good deal to do with the question of taxation of the railroads, has he not?

Mr. ELLIOTT. I think so. I think he gives more especial attention to that, and to the statistical information which the railway companies furnish.

Senator HARRIS. He has little or nothing to do with the management of the railroads, or with transportation?

Mr. ELLIOTT. I do not think he has. Perhaps he might have more if there were more complaints lodged with him. He seemed to think, when we had him before us, that some of the evils that were current, if placed before him, might come within the range of his powers, and a remedy could be found.

Senator HARRIS. Is it within the scope of his authority to remonstrate with the railroads for supposed or real wrongs that they are perpetrating upon the community?

Mr. ELLIOTT. It is supposed to be within his authority.

Senator HARRIS. Has he exercised that authority to any extent?

Mr. ELLIOTT. I think he told us that he had not, with reference to the transportation.

Mr. BACON. I think there is no discretion given to him.

Mr. ELLIOTT. We did not suppose that he had much power. He seemed to think that with reference to our terminal charges he might have something to say.

Senator PLATT. He looks after what may be called the physical condition of the railroads, I suppose?

Mr. ELLIOTT. I suppose so.

Senator PLATT. That is to say, the gradings, and crossings, and connections?

#### PRESENT THROUGH RATES PERHAPS DESTRUCTIVE.

Mr. ELLIOTT. I do not know that he even goes so far as that. As to the question "The reasonableness of the rates now charged by such corporations for local and through traffic," I think everybody will admit that the through rates from the West to the East are low enough, and perhaps too low. Perhaps they are rather destructive.

#### PUBLICITY OF RATES WITH NOTICE OF CHANGE.

To the question "Whether publicity of rates should be required by law," I should say that there is no doubt about it, I think, in anybody's

mind who has had any experience with the subject. It should be open. Every rate should be known to the public. "Whether changes of rates without proper notice should be prohibited, and the best method of securing uniformity and stability of rates." I do not think rates ought to be advanced without reasonable notice to people who have been purchasing with reference to existing rates, property ready for delivery to the railway companies, and tendered for delivery, should be protected by existing rates. The roads should not be allowed to apply the advance to it. They sometimes do that after the elevator receipts for the property comes into their hands and they are waiting for cars to load it in. After it gets into the hands of their agents they will advance the rates on it, although the purchases have been made with reference to existing rates and Eastern markets.

#### RATES RAISED ON FREIGHTS ALREADY DELIVERED.

Senator HARRIS. The shipment has commenced when the product has been placed on the elevator and the receipt of the elevator has been given for it, has it not?

Mr. ELLIOTT. That is a question of law which would have to come up in case an aggrieved party should claim that the rate should not be advanced. The roads deal arbitrarily with us. Nobody has raised that question.

Senator HARRIS. That is a step on the part of the shipper in the transaction of shipping—to deliver his produce to the elevator—is it not?

Mr. ELLIOTT. Yes, sir; it is put in the elevator, and the road switches its car to the elevator and takes it aboard. The warehouse receipt or the delivery order for grain to be carried is placed in the hands of the transportation agent, with storage paid; and it is for him to get it loaded and send it along. In some cases they advance the rates while waiting for cars. That I think is a very unjust thing.

The CHAIRMAN. They do that after they get the grain?

Mr. ELLIOTT. After they have got the grain. That has been done repeatedly. I do not know that you could prohibit a railroad, or that you should prohibit it, from dropping its rates.

Senator PLATT. It might be just about to drop them after they made the contract, or got the grain.

Mr. ELLIOTT. If you could get a man to agree to do a certain thing for you for \$1.50 and he offered to do it for \$1, I do not know how you could prohibit it very well.

Senator PLATT. But suppose he let you off, and did not let another man off?

Mr. ELLIOTT. That would be covered under unjust discrimination.

#### MAXIMUM AND MINIMUM RATES.

As to the fourth question, "The advisability of establishing a system of maximum and minimum rates for the transportation of interstate commerce," that enters more or less into the question of pooling. If pooling be allowed—and I think it rather essential to the life of the railroads that they should be allowed to pool at the great centers—there should be some reasonable maximum rates, or some limit with reference to the local traffic, to prevent extortionate charges, or comparatively high charges for such local traffic which might be made in order to enable them to carry on a ruinous competition on freight between the

terminal points. We have paid in Wisconsin 25 cents a hundred for a haul of 175 miles, when they were carrying 400 miles, from Minneapolis to Chicago, for 5 cents a hundred. The farmers of Wisconsin had to pay for the loss made in that through business.

The CHAIRMAN. If there was any?

Mr. ELLIOTT. If there was any; and the railroad companies said there was.

The CHAIRMAN. They said they were actually carrying for less than cost?

Mr. ELLIOTT. Yes, sir; they were carrying for much less than cost.

#### NATIONAL LAWS TO SUPPLEMENT STATE LAWS.

The CHAIRMAN. So that they were recouping on you people?

Mr. ELLIOTT. You could not very well gainsay their right to do so, perhaps, unless all were prohibited alike. That is a matter that presents a difficulty between State and interstate commerce. The reason the State laws have not been able to properly control these matters has been because interstate commerce was not controlled. A road running altogether within the State of Wisconsin, say from Madison to Milwaukee, if restrained by the State, might be competed with by an interstate road; and if limited by a pro rata law, or any limitations with reference to the longer and shorter haul, it would be deprived of all its self-defensive power. The interstate road could come in there to Madison and say, "The other road cannot meet our competition, without breaking down their intermediate stations. They are controlled by a State law to that effect."

That was the condition of things under the granger law of 1873-'74. Of course the interstate road could just cut their rates enough to capture the business. That is one of the points that makes it more necessary that we should have restriction and regulation on interstate commerce; and the commission, if appointed, should harmonize with State action as much as possible.

#### RATES LEFT TO COMMISSION.

Rates should not be fixed by Congress, but those maximum rates should be left with the commission, subject to change by the commission when they meet emergencies of that kind, differing in different parts of the country, governed by the differences of circumstances and the volume of trade and the competition of water routes. We are liable soon here in the Northwest to have the competition of Canadian roads, which cannot be controlled by our laws, either State or national.

Senator PLATT. What routes?

Mr. ELLIOTT. The Canada Pacific. It may run branches pretty near our lines. We are getting grain now from the Manitoba region, and the Northern Pacific route will compete for that business.

#### SHORT AND LONG HAUL.

Our committee is pretty generally agreed with reference to the main point involved in this question. We are not wholly agreed with reference to one point, and that is the restriction of the railway company, as provided for in the Reagan bill, requiring the road not to charge a greater sum for a shorter haul than for a longer haul over the same line, going in the same direction. As an abstract proposition, it would com-



mend itself to anybody's sense of justice, and yet there may be occasions when the terminal points would come in competition with cheap water routes, where a deviation should be allowed.

Senator PLATT. Could that matter be safely left to the discretion of a commission?

Mr. ELLIOTT. That is just my opinion. That is where I differ, perhaps, with some other members of our delegation. I think the commission should have power to deviate in such cases from what might be enacted as the general law applicable to such cases. In most cases that is a very just proposition in the Reagan bill.

Senator HARRIS. Are not those cases you refer to very exceptional and rare?

Mr. ELLIOTT. They may be rare as to location, but they cover an immense volume of trade. They cover Milwaukee and Chicago and Duluth, and points on the Mississippi River. They cover a very great proportion of the trade of the country, although the locations where they occur are small in proportion to the great business of the country.

The CHAIRMAN. You refer to the number of them?

Mr. ELLIOTT. Yes; to the number of them.

The CHAIRMAN. Could you in a sort of résumé of your view state the scope of what the law ought to be in your view, if one should be passed by Congress, governing this question of interstate commerce? State the general provisions that you think ought to be incorporated into it.

Mr. ELLIOTT. I had not crystallized anything in my mind.

The CHAIRMAN. You think, in the first place, there ought to be a commission?

#### A COMMISSION WITH JUDICIAL POWERS.

Mr. ELLIOTT. There ought to be a commission.

The CHAIRMAN. And that commission ought to have some power?

Mr. ELLIOTT. Ought to have very large powers.

The CHAIRMAN. It should have power to settle disputes between shippers and the railroads, you think?

Mr. ELLIOTT. It should be clothed with judicial powers to a certain extent. I do not think there should be a right of appeal from the decision of the commission with reference to these little overcharges and little claims. Unless it involved a large claim there should not be any right of appeal from the decision.

The CHAIRMAN. Under our Constitution, if we give the commission judicial powers, we must make it a court, and give a life tenure. Would you recommend that?

Mr. ELLIOTT. No, sir; I think there ought to be a change, a little fresh blood, every two years or so.

The CHAIRMAN. In your opinion, would this be broad enough: To create a commission with authority to investigate controversies or disputes between shippers or individuals and the transportation companies, and to determine in their minds what the right in the premises might be; and then, if the transportation company or the shipper were not satisfied, to make that determination on the part of the commission *prima facie* evidence of its being right in a court of justice? Would that be strong enough to protect the individual, do you think?

Mr. ELLIOTT. It would have to be, if the other remedy could not be applied under the Constitution. The State of Illinois had a process that had to be gone through with to reach their present results. In the first place, the legislature fixed the rates. The railroads contested that.

The supreme court of Illinois held that the legislature had such power, but the railway companies succeeded in making the legislature believe that they were not justly or fairly competent to exercise that power. I think the community generally reached that result—that they were not experts in the business. The railway companies said: "If you appoint a committee of experts to make these rates, it will be somewhat fairer."

#### WHAT POWER CAN BE VESTED IN A COMMISSION?

The legislature then delegated the making of rates to the commission. Then the railway companies came in and contested that as *ultra vires*, as not competent on the part of the legislature of Illinois, on the ground that the power was vested with them, and they did not have any power to depute or delegate it. Might not the same thing obtain with reference to a commission appointed by the Congress of the United States? Does not the Constitution vest this power in regard to interstate commerce wholly in Congress, and is it not necessary to consider what powers Congress can delegate to a commission? Could they delegate to a commission the making of maximum and minimum rates any farther than that they should be *prima facie* evidence of their reasonableness?

That is the present status in Illinois. The supreme court of Illinois, in deciding against the power of the commission to fix rates, gave a little advice, by way of *obiter*, that the legislature might vest that commission with the power to fix rates which *prima facie* might be evidence of reasonableness.

The CHAIRMAN. That is the state of the case now.

Mr. ELLIOTT. That is the state of the case now, and it works to a charm. The railway companies have never been able to impugn the rates of the commissioners. Why? Because they are carrying at less than those rates now. They cannot come into court and say that they are unreasonably high now, when they are carrying below the fixed rates in the tariff, in some instances. I presume it would be advisable not to make any mistake, if Congress takes action in this matter; not to vest the commission with the power to fix rates, but to take example, perhaps, from the experience of Illinois in that regard; although the General Government may have powers that the State did not possess.

#### ABSOLUTELY PROHIBIT REBATES.

The CHAIRMAN. Would you think it safe or not to absolutely prohibit the payment of rebates?

Mr. ELLIOTT. Absolutely prohibit it.

The CHAIRMAN. I believe you have stated already that you think the rates ought to be public.

Mr. ELLIOTT. Yes, sir; they ought to be public.

The CHAIRMAN. I believe you have expressed doubt about the question of legislating upon the long and short haul.

Mr. ELLIOTT. I think it would be advisable to enact it as a general principle, with power of modification or deviation by the commission. If it is not touched at all, perhaps the commission would wholly disregard the question, and not apply any remedy, even where there might not be any occasion for such injustice. But, if it is a part of the law, it will serve as a general admonition to the commission, and they will make the exception to it only where the necessity occurs.

## EDWARD P. BACON'S STATEMENT.

EDWARD P. BACON, grain commission merchant of Milwaukee, appeared.

The CHAIRMAN. You have been listening to the discussion before the committee, and understand the purpose of the investigation. Will you please go on and give us your views generally on the subject.

Mr. BACON. For the purpose of expressing my ideas concisely, I have submitted them to writing in answer to the questions as printed in the circular, and in the order in which they are given.

Mr. ELLIOTT. I would like to introduce Mr. Bacon, not only as a commission man, but as having been formerly general freight agent of one of our railroads, and as an expert in knowledge of that nature.

## EXTORTION AND UNJUST DISCRIMINATION.

Mr. BACON. In answer to your first question, I deem the best method for preventing extortion to be by investing the railroad commissioners with authority to establish a schedule of maximum rates between given terminal points, or for given distances covering local points, which rates shall be declared to be *prima facie* evidence in any court of the United States as reasonable rates, and by making it the duty of any district attorney of the United States to prosecute claims for recovery of any charges in excess of such rates on behalf of the aggrieved party at the expense of the Government, also subjecting any company convicted of making excessive charges to a heavy penalty. Any discrimination of rates of freight between individuals or places on the same commodity shipped at the same time and in the same quantity should be prohibited under a heavy penalty, and in case any such discrimination be proven every other similar shipment from the same point made at substantially the same time to the same destination should be reduced to the same rate and the excess refunded to the shipper or consignee.

## REASONABLENESS OF RATES.

In reply to the second question, I would say the rates charged on what is termed through business, that is to say business between terminal points or important commercial centers, seem to be for the most part reasonable, and in fact at the present time are in some instances apparently below the cost of doing the business. Rates charged on local traffic, that is to say business between points not embraced in the above but passing from points in one State to those in another, are generally in excess of the rates on through business, and in many instances highly unreasonable. This would apply also to business between lake points and commercial centers as well as to business between local points that are not commercial centers. This latter class of business demands, in my judgment, a larger share of attention than has been given to it, and directly affects as large, if not a larger, number of individuals than the former class of business.

## LOCAL FREIGHTS SUBJECT TO EXCESSIVE RATES.

That is the way the business has been treated mainly with reference to the traffic between the lake ports, or between the extreme points in the West and the sea-board. That class of business has not suffered

much, or at all, perhaps, for a number of years by what might properly be called extortion; but way business from points in one State to points in another, local and intermediate points, are subjected to excessive rates, in order to make up for the very low rates charged on business between the West and the sea-board.

The CHAIRMAN. That you know to be true?

Mr. BACON. Undoubtedly; it is a fact generally known. Again, business from the interior points in the West to lake ports is charged exorbitantly high, as compared with rates from the lake ports to the sea-board. In illustration of that I would refer to business from points in Dakota, for instance, to Milwaukee and Chicago.

#### RATE FROM DAKOTA TO LAKE PORTS TWENTY-FIVE CENTS.

For distances of from 400 to 500 miles the freight charged has, on the present crop of wheat, on the average been equal to one-half what the farmer has received for the wheat, and to more than one-half what he has received for other grains. Wheat has been selling at the Dakota points generally, for this crop, at from 40 to 50 cents since the commencement of the movement of the crop, and even up to the present time, and prices now are much higher than they were at the commencement of the crop, and freight from those points has been and is from 20 to 24 cents a bushel to the lake ports, Milwaukee or Chicago. The distance varies from 400 to 500 miles.

#### FROM LAKE PORTS TO SEA-BOARD FIFTEEN CENTS.

The CHAIRMAN. What is charged from here to the sea-board?

Mr. BACON. From here to the sea-board, previous to the recent active cutting in rates, the charge was 25 cents a hundred pounds by all rail; 15 cents per bushel.

The CHAIRMAN. How much a bushel from the Dakota points to the lake ports?

Mr. BACON. From 20 to 25 cents.

The CHAIRMAN. That is as much as, or is more than, from here to New York and Boston?

Mr. BACON. As much again.

Senator HARRIS. And the distance is twice as great from here to the sea-board as from here to those Dakota points of which you speak?

#### HALF THE RATE FOR TWICE THE DISTANCE.

Mr. BACON. Yes, sir. Then again, on the shorter distances, points within 100 or 200 miles of the lake ports, the rates charged vary from 12 to 20 cents a hundred to the lake ports; nearly as much as is charged for the whole distance from here to the sea-board, and in some instances quite as much.

The CHAIRMAN. That shows one of two things—either that the charge is excessive and extortionate on these shorter runs, or else the charges are less than they should be on the longer run from here to New York and Boston and other sea-ports.

Mr. BACON. In comparing the rates to the sea-board, I have only referred to those which have been generally in force for years. The rate of 25 cents a hundred from here to the sea-board has been the general rate for the last five years in the absence of cutting.

Senator HARRIS. That is the generally published or understood rate?

Mr. BACON. Yes, sir; generally published, and for a large portion of the time the actual rate, and regarded as a paying rate, a rate that is considered very satisfactory by the lines. Present rates are only about half that rate.

#### A REASONABLE RATE FROM CHICAGO TO SEA-BOARD.

Senator HARRIS. What, in your opinion, would be a fair, reasonable, paying rate from Chicago to the sea-board?

Mr. BACON. I hardly consider myself competent to name a rate; but I should say from the fact of 25 cents a hundred having been the ruling rate for a number of years, and the roads having paid liberal dividends on that rate upon a largely-increased capitalization of stock over the actual value of the properties, it should certainly be considered a reasonable maximum rate.

The CHAIRMAN. You think it a liberal rate?

Mr. BACON. A liberal rate; yes, sir.

Senator PLATT. Is it any advantage to the grain-grower to have a through rate for grain which is not remunerative to the railroads?

#### FARMERS FAVOR REASONABLE PROFIT TO RAILROADS.

Mr. BACON. Certainly not. The grain-grower is as much interested in the growth of the railroads as he is in the produce of his farm. He knows very well that he needs the railroads to take his produce to the market, and that without the railroads his farm itself would not have any value, but he very properly expects that service to be done at a rate that affords a reasonable profit to the capital invested in it.

Senator PLATT. On the whole, you do not think it is any advantage to him to have a very low rate, provided that rate is not remunerative, and tends to the demoralization of business generally?

Mr. BACON. Certainly not. It is not to the advantage of anybody to have freights transported for less than a fair remuneration.

The CHAIRMAN. As you are now in general business, although having been connected with the transportation of products on railroad, what is your judgment about the reasonableness of the charge now for the transportation of wheat and other products from Dakota and the West to the lake ports? Is it high or not?

#### EXTORTION AT NON-COMPETING POINTS.

Mr. BACON. From strongly competing points, such as Saint Paul, I consider them reasonable. Saint Paul is distant from Chicago 420 miles. Freight from corresponding distances in the interior of Minnesota, Iowa, and Dakota, is charged nearly as much again. The present rate from Saint Paul is 15 cents a hundred, and for the same distance from non-competing points the charge is from 25 to 30 cents a hundred. That illustrates the very point I made awhile ago—the extortion does not exist between competing points. It is at the other points where it exists and where it needs, as I have remarked, special attention.

The CHAIRMAN. It becomes discrimination between localities.

Mr. BACON. In fact, yes. In that connection I would say also that it seems to me the rate should be so regulated that from a given point to any river, lake, or sea-board port it should vary mainly in the proportion of the distance. As an illustration of the necessity of that we will take Saint Paul. Saint Paul is 155 miles from Duluth and 420

miles from Chicago. The rates charged from Saint Paul to Duluth are the same as those charged from Saint Paul to Chicago, three times the distance.

Senator PLATT. And the water rates from these points are alike?

#### GEOGRAPHICAL LOCATION.

Mr. BACON. The water rates are substantially alike. But my idea is that the people of North Minnesota who are very near to the lake port, Duluth, should pay only a suitable rate for that rail distance that they have to use to reach their lake outlet, and not be required to pay a rate that corresponds with the rate to another lake port, as for instance Chicago. That is, they should have the benefit of their geographical location, which they are now deprived of by the fact that roads terminating at Milwaukee and Chicago have bought a controlling interest in that road that runs from Saint Paul to Duluth, and now apply their Chicago rate to the freights shipped to Duluth.

The CHAIRMAN. Do you think that any law that would require any transportation company to charge in proportion to the distance only, and be governed by that, would work very great hardship to those who are furthest away from the great centers?

Mr. BACON. I do not think rates should be charged entirely by distance, nor do I believe at all in any pro rata theory; but the rate charged for the freight should have due relation to the cost of transportation. If a certain section of the country has access to the seaboard or to the lake ports at one-third the distance of transportation that another section has, it should have the benefit of that proximity. I will apply my idea a little further; the rate from Saint Paul to Duluth should not be as much as the rate from Saint Paul to Chicago under any circumstances whatever.

A GENTLEMAN. You may illustrate it by giving some facts in our own State in regard to water rates from Chicago to Watertown.

Mr. BACON. The same thing applies there. We have had an illustration of that point. Watertown is 45 miles from Milwaukee and 135 miles from Chicago, just one-third the distance to Milwaukee. The same rate per hundred pounds has been charged to either point. That rate has been the rate for the long distance. As is the case with the rate from Saint Paul to Duluth, it is the rate for the long distance. The short distance is required to pay the same rate. The railroads in Wisconsin, however, on a few points such as Watertown have yielded the point with the Wisconsin people, and have made a differential rate of 3 cents per 100 pounds in view of the manifest injustice. But the general law should require the general application of that principle throughout the country, in my opinion. The local benefits and disadvantages from it would undoubtedly offset themselves and equalize one another, so that localities would be just as well situated otherwise with reference to competition, and the producing part of the community would get the benefit of it. They would get their transportation service performed for a proper and reasonable rate, instead of being required to pay an unreasonable rate in order to equalize some other competing point.

#### PUBLICITY OF RATES WITH NOTICE OF CHANGES.

In answer to question 3 I would say that the utmost publicity should be required to be given to rates, and no change should be permitted without at least ten days' previous public notice. In reference to that I deem

it important to give previous notice of reduction of rates as well as of an advance of rates, for the reason that an advance operates on a certain class of property to its detriment, and a reduction operates on other classes of property to the detriment of the holders of that property. Parties who have transported property from one point to another and paid the freight on it have its value incidentally reduced when a reduction is made in the rate of freight, which they should be protected against within a reasonable time. Changes should be restricted to the least possible frequency, and as far as practicable should be made periodically with reference mainly to the different seasons, and the consequent difference in the cost of transportation.

#### MAXIMUM AND MINIMUM SCHEDULES.

To the fourth question, I deem it advisable to establish a thorough and careful schedule of maximum rates, as indicated above, for the protection of the public, and I also think it would be expedient to establish minimum rates for the protection of transportation companies against ruinous competition, often initiated by bankrupt corporations, or by unprincipled officials for speculative purposes.

The CHAIRMAN. Do you mean to say that you think Congress ought to pass laws establishing maximum and minimum rates?

Mr. BACON. They ought to empower the commission to fix those rates, which should be declared to be *prima facie* evidence in any court as to their reasonableness.

Senator PLATT. If you have a maximum rate, with an implied liberty to deviate by carrying for a less rate, how is it possible to prevent discrimination between individuals?

Mr. BACON. By the publication of the rates and by prohibiting their change except under a certain number of days' notice.

Senator PLATT. You have the maximum rate from New York, say, and the railroad cannot charge more than that. You do not expect the railroad will charge that rate necessarily in all instances. How are you going to prevent its giving a better rate to one man, and charging the maximum rate to another?

Mr. BACON. That maximum rate would be simply a standard or a limit beyond which they should not go; and then they must publish their rates whenever made; and as long as they stand without any notice of further change in them no less rate can be charged than the published rates.

The CHAIRMAN. Nor a greater rate, either?

Mr. BACON. Neither greater nor less.

The CHAIRMAN. You would not allow them to charge either above or below their published rates?

#### ROADS CLASSIFIED AND RATES ADJUSTED ACCORDINGLY.

Mr. BACON. No, sir; certainly not. In regard to the fixing of maximum rates, my idea is that it would simply be a schedule in the possession of the commissioners, made by them for the guidance of the railroad companies. Of course, there cannot be a schedule that will apply to every road; but after the commissioners have obtained sufficient familiarity with the individual roads, they can classify them and make certain maximum rates for given distances on roads of the various classes. You can put them into ten different classes, if you choose, called Class A, Class B, Class C, and so on. Ten might not, perhaps,

be too many in a country so large as this. Certain roads have a large business. They can be, or have been, cheaply built, and they should be, of course, in a class having the lowest maximum rates. They should be graduated according to the cost of the property and the amount of business which each road has to transport, and the expense of doing the business. Every road in the country would be placed in one of those classes, and the maximum rates for that particular class would be the rates governing them, or the minimum rates either, if minimum rates were adopted.

#### ELEMENTS OF COST.

To the fifth question: The cost of transportation in all its details should be carefully considered in fixing maximum and minimum rates. The difference between the two should be sufficient to provide for the necessary flexibility of rates, in view of the changing conditions of business. In connection with the cost of transportation, due consideration should be given to a proper return upon the actual value of the plant, not as represented by stock and bonds issued, but by the actual cost of reproducing it, and based on such proportion of its use as is required for freight traffic on the several lines. That is, the maximum rates should be fixed with reference not only to the cost of the road and the cost of transportation, but the proportion of business which the freight traffic bears to the whole business of the road. The cost of the road should be distributed between the freight and passenger departments in proportion to the volume of each class of business. Then the maximum rates should be fixed upon the proper return upon that capital, together with the cost of transportation.

Senator PLATT. Suppose a road makes its dividends on its investments—on the value of the property—from its passenger traffic alone. What should be done with the freight business? Should the commission have power to regulate the passenger traffic as well?

Mr. BACON. I should say they should regulate it with relation to the cost of each, giving the proper proportion for each class.

#### PROHIBIT REBATES AND DRAWBACKS.

To the sixth question, I would answer that the practice of paying rebates or drawbacks in any form, directly or indirectly, should be prohibited as well as the underbilling in weight of any freight shipped. That is a very common method of evading tariffs and making discriminations. If a car contained 26,000 pounds, it would be billed at 24,000, at the tariff rate.

The CHAIRMAN. What do you say is the purpose of that?

Mr. BACON. I say that should be prohibited, as well as the practice of paying rebates.

Senator HARRIS. It is a form of rebate?

Mr. BACON. It is a concession, an indirect plan of cutting rates. Any special rate made or any deviation from published rates at any time should be reported promptly to the commissioners, and be subject to their approval.

#### A COMMISSION WITH DISCRETIONARY POWERS.

There may certain cases arise in the operation of any particular road whereby consent might be given to a special rate without any injustice



to anybody. There were two or three instances in Illinois where new coal mines came to be developed, and the companies were precluded from making sufficiently low rates to do the business, although a rate they were willing to take would have afforded them a remuneration on that particular business. They were precluded from that business from the fact that if they accepted it, according to the law of this State, they would have to accept the same rate on other business. So that there must necessarily be discretion lodged with the commission to make such occasional deviations as the circumstances require; but they should not be made by the companies, except with the consent of the commission.

#### POOLING.

In answer to your seventh question, I would say that in my opinion the system of pooling earnings is the most effective method of securing uniformity and stability of rates, but all business so pooled should be under the supervision of the commissioners, and the rates established should be subject to their approval. Any agreements entered into by the several companies forming a pool should be enforced by law, and severe penalties inflicted upon any corporation deviating from the rates established thereby.

Senator PLATT. How long has business in the West been under the pooling system?

Mr. BACON. Almost from the inception of railroading in the West, more or less.

Senator PLATT. For what proportion of the time has any pool been maintained in its integrity as to rates?

Mr. BACON. I could not answer how long they have been maintained without any deviation. I have no knowledge. But pools have been in force from all important points in the country tributary to Milwaukee for many years past, and most of the time they have been effective. There will occasionally be breaks in them, and occasional disputes.

Mr. ELLIOTT. Do you think they have been effective as to east-bound freight?

#### WESTERN POOLS GENERALLY MAINTAINED.

Mr. BACON. I am speaking of the business between the West and lake ports. I thought that was what Senator Platt spoke of.

Senator PLATT. I speak of business generally; but your pools relating to the business west of Milwaukee have been pretty generally maintained.

Mr. BACON. Generally speaking, they have. There have been occasional periods during which they would break them and fighting would go on for weeks or months. Then there would be a reconstruction of the pool, and matters would go on harmoniously again for some considerable period of time.

The CHAIRMAN. In your dealings with transportation companies East and West, which has been the most satisfactory to you? Your business with railroads running west or east?

Mr. BACON. My own individual business has been mostly with railroads west and north of Milwaukee and Chicago. I have only incidentally had occasion to do business between Milwaukee and the seaboard, or Eastern points. Still that business has been, to a large extent, under my constant observation during all this period that I have been in business for twenty years.

The CHAIRMAN. The Western business is controlled largely, is it not, by the pools in Chicago?

Mr. BACON. Yes, sir.

The CHAIRMAN. And the business from here to New York and Boston is controlled by the pool in New York, is it not?

Mr. BACON. The pool between here and New York and Boston has controlled everything between Milwaukee and Chicago on the one hand, and the seaboard ports on the other, including Boston, New York, Philadelphia, and Baltimore.

The CHAIRMAN. What has controlled the business from here west?

#### POOLS AT ALL CROSSINGS.

Mr. BACON. The Western business has been in a number of pools. For instance, between Chicago and Saint Paul there has been one pool. Then business at all the crossings of any consequence within the States of Iowa and Minnesota have been in separate pools. Almost as fast as the roads have been opened, wherever they strike a junctional point, the roads interested would make a pool on the business at that point. But the rates have generally been very satisfactory in that pooling business. The competition which produced the necessity for the pools has produced low enough rates to be reasonably satisfactory to the public.

The CHAIRMAN. What has been your observation in reference to these pools? Have they had a tendency to prevent competition and thereby keep rates up?

Mr. BACON. To a certain extent, they have tended to keep rates up. There is no doubt about that. Without the check afforded by the schedule of maximum rates, I should never favor the existence of pools. Without healthy, proper restraint upon the companies interested, who form the pools, it would hardly be safe to legalize pools; although in many cases competition is such at pooling points that it might be left entirely free to regulate itself. Yet in a great majority of instances such is not the case, especially as you go farther into the interior. These very rates that I speak of as being so exorbitant from extreme points in the West to lake ports are many of them under pools.

#### RIGHT TO SELECTION OF ROUTE.

As to the 8th question, I see no good reason for denying the companies constituting any pool the privilege of distributing freight over their several lines to produce a proper equalization thereof, provided the property is delivered at the terminal points in such manner and at such locality as desired by the shipper or consignee. That point has been fully discussed already.

#### UNIFORM SYSTEM OF RATES.

In answer to the 9th question, I should say that I deem it impracticable to secure the establishment of any uniform system of rates for the transportation of passengers and freights by all the corporations engaged in interstate commerce, for the reason that rates must necessarily vary in different sections of the country and different localities, according to the amount of business afforded by the different sections to the several lines of railroad doing business therein, as the cost of transportation depends largely upon the volume of business.

No one conceives that maximum and minimum rates would answer for the whole country. A very important element in the case of trans-

portation is its volume. The maximum rates must be fixed with reference to the volume of business existing in various localities. In other words, the amount of business that the road has to do.

#### COMMISSION TO SUPERVISE RAILROAD SCHEDULES.

The CHAIRMAN. State whether or not it would result in the same end if a commission, for instance, were appointed by the Government, and that commission were to allow the railroads or transportation companies themselves to fix the rates primarily, subject to its supervision and approval. In your judgment, would that result in the same general benefit as if the commissioners should originally or primarily make rates themselves?

Mr. BACON. It might be necessary, perhaps, to commence in that way, but I think the commission should, as fast as opportunity would permit, so familiarize themselves with all the elements of the cost of transportation that they could determine what would be a remunerative rate, and fix that schedule of rates.

The CHAIRMAN. Unquestionably they ought to know something about it before they could pass, with any degree of intelligence, on a schedule made out by the transportation companies. But it has been urged by a good many men before us—I state it not as indicating my own opinion one way or the other—that in the first instance the transportation companies would have to make out their schedules of rates, and then the most that could be done by a governmental authority would be to pass upon those rates, and approve or disapprove them, as their judgment might dictate, and have them changed according to their judgment.

Mr. BACON. I think there would be nothing effective until the commission took the fixing of maximum rates in hand, and prescribed maximum rates for the different classes of roads.

#### WISCONSIN LAW.

The CHAIRMAN. What is the present law of Wisconsin on that subject?

Mr. BACON. The only law we have in regard to maximum rates is that the tariff in force by the roads of the State in 1871 shall be the maximum rates. That stands now as the law with regard to maximum rates. The effect is that, with very few exceptions, they are charging fully up to those rates now.

The CHAIRMAN. I was about to ask you whether practically they were of any account to the public? Have not the rates gone away below that schedule?

Mr. BACON. I recently compared the tariffs of the principal roads in Wisconsin with the tariff which was established as the maximum, and I found that the changes made were very slight and very few.

The CHAIRMAN. They charge now just about the same as they did then.

Mr. BACON. Yes, sir; probably the rates at nine-tenths of the points have not been changed at all.

The CHAIRMAN. Is that true of railroads in other portions of the country, that they are charging as much now as they were in 1871?

#### REDUCTION IN RATES IN TEN YEARS.

Mr. BACON. Statistics show that they are not. A recent report of the Treasury Department, by Mr. Nimmo, shows that the average rates

of transportation now are only about 60 per cent. what they were ten years ago, on the part of Western roads.

The CHAIRMAN. I think it was stated here on Saturday by Mr. Cook that on the Northwestern system of roads the rates were reduced within the last eight years, I think it was, 30 per cent. below what they had been previously.

Mr. BACON. There has been a reduction from year to year in rates of freight.

The CHAIRMAN. I am a little surprised to hear you say they are charging as much now in your State as they were in 1871.

Mr. BACON. That refers only to local points, and local points, as you are aware, constitute nine-tenths of the number of points. This general reduction in the rates of freight is shown to have been made on the roads of Wisconsin—the Saint Paul road and the Northwestern road, as well as on other Western roads; but the fact of the local rates being maintained where they were ten years ago, together with this fact of the reduction having been made, shows that more than the percentage shown to be reduced has been reduced on through rates.

#### CHIEF REDUCTION IN THROUGH RATES.

The CHAIRMAN. That is where the reduction occurs?

Mr. BACON. Yes, sir.

The CHAIRMAN. It pertains to interstate commerce, while the local rates that you speak of are mainly rates from one point to another in your State?

Mr. BACON. Partly in our State, and partly in both States or three States. From points in Wisconsin to points in Illinois, from points in Iowa to points in Wisconsin, and *vice versa*; or from points in Minnesota to points in Wisconsin. These roads terminate in all three of those States.

Senator HARRIS. Can you give an approximate idea as to the proportion of tonnage of local traffic as compared with the other traffic?

Mr. BACON. I could not. It would be a mere guess, but the figures can be ascertained.

Senator HARRIS. You say nine-tenths of the shipping points are local?

Mr. BACON. But not nine-tenths of the business, by any means. There is another thing that would effect a comparative reduction of rates. There has probably been a greater increase in low-priced freights, such as lumber and coal and grain, than in the higher priced freights; and the effect of that increase, even without any change in rates, would show a reduced average rate per ton per mile.

#### LONG AND SHORT HAUL.

My answer to the tenth question is, that with the safeguard afforded to the public by the fixing of maximum rates for given distances railroads should be left free to make such rates for long distances as competition may require, provided such rates afford any profit on the business by itself considered, or are not below the minimum rates fixed by law.

#### CAR-LOAD THE UNIT.

In reply to the eleventh question, my opinion is that a car-load of any commodity should be made the unit of transportation charges, as it is in effect the unit of transportation and handling.

The CHAIRMAN. You think there is no doubt about that?

Mr. BACON. There is no doubt whatever about it in my own mind. Every car-load of freight has to pass through precisely the same process that a hundred cars would.

The CHAIRMAN. You do not believe the man who ships a hundred cars should have any advantage over the man who ships one?

Mr. BACON. Not at all. There is no economy to the company in shipping one hundred cars as against one car, that is, to a road that has an ordinary amount of business. When a road reaches a certain amount of business, the increase of the business increases the expense pro rata. The great item of cost in transportation is wear and tear of track and cars, and that must necessarily be exactly in proportion to the number of cars transported and used. Any concession from this rate on larger quantities would afford to the large capitalist an undue advantage over an ordinary dealer, and to that extent would tend to impair the necessary, healthful competition in trade.

#### UNIFORM SYSTEM OF ACCOUNTS.

As to the twelfth question, I do not deem a uniform system of accounts by the corporation to be necessary any further than may be required for the purpose of furnishing uniform reports to the Government.

#### ANNUAL REPORTS TO THE GOVERNMENT.

As to the thirteenth question, I should say that the corporations should be required to make annual reports to the Government, and there may be occasion, especially in the case of pooling arrangements, for more frequent reports, perhaps quarterly or possibly monthly. The reports should give full information as to passenger, freight, and other earnings separately, and details of expenses showing the amount incurred for freight and passenger business separately, so that the actual cost of doing each class of business can be accurately determined. The tonnage of through and local freight should be stated separately, and the mileage of each, also the number of miles run by freight and passenger trains separately.

#### MILEAGE OF TRAINS TO BE ASCERTAINED.

My idea in stating that the mileage of trains should be required is to get at the wear and tear of track. It is absolutely impossible to determine how much should be distributed to freight and how much to passengers, but I estimate roughly that the passage of the passenger trains with its extra speed over a given track produces about the same wear and tear as the passage of freight trains at their speed over the same track. So, with the number of miles given of passenger and freight trains separately, the wear and tear of the track can be distributed between the passenger and freight business properly.

Mr. ELLIOTT. How as to the wear and tear of the rolling-stock?

Mr. BACON. The rolling stock would be determined separately. The passenger and freight cars can each be kept separately. It is only the wear and tear of track and bridges that I refer to.

#### WATERWAYS SHOULD BE FOSTERED.

With reference to the fourteenth question, my answer is that, as water transportation affords the best possible check upon rates charged for

rail transportation, it is important that the Government should foster the former in every practicable way, both by maintaining and improving existing water routes and developing new ones wherever practicable. The expense of developing and maintaining such routes is reimbursed to the people many times over in the cheapening of rail freights throughout the country.

#### THE REMEDY, A COMMISSION.

And in reply to the fifteenth question, I deem the establishing of a commission essential to the carrying out of any legislation for the regulation of interstate commerce, and also for the purpose of studying minutely the workings of freight and passenger traffic, with a view to recommending such legislation from time to time as may be desired.

That comprises the questions as given in the circular of the committee.

Senator PLATT. You think the fact is generally known in Wisconsin that local freights have not been reduced in ten or twelve years?

Mr. BACON. I did not say that they had not absolutely been reduced. They have been reduced in special instances and a few cases. They have been reduced where new competition has come in.

#### REDUCTIONS COMPELLED BY COMPETITION.

The CHAIRMAN. Reduced at the competing points?

Mr. BACON. At the competing points. Where competition has compelled it there has been a reduction. Certain local roads have been built within the last few years—short roads—which have run parallel with the old existing roads, and near to them; and they have necessitated the reduction of existing rates from the point affected by that competition.

The CHAIRMAN. Have you any idea about what is the proportion of the freight that has been transported from one point to another on which there has been a reduction, and what is the proportion where there has not been a reduction?

Mr. BACON. No, sir; I could not state that. That would require to be figured up from the reports. In fact, the reports of the companies would not show it. The reports are not given in such a way that it could be ascertained, and any estimate would be mere guess-work on that matter.

#### PAST RATES WERE EXTORTIONATE.

The CHAIRMAN. Is it not your opinion, if the freights have been reduced at these competing points, that the railroads are charging extortionate rates?

Mr. BACON. It is my opinion in many instances; yes, sir.

The CHAIRMAN. The general impression throughout the country is that railroads have been reducing freights faster than railroad commissioners could change their schedules, in some localities?

Mr. BACON. The difficulty is that public attention is generally absorbed by this sea-board traffic; that is, the traffic between the lake ports and the sea-board ports. This large local traffic, which is of equal importance, is overlooked.

Senator PLATT. What is the public sentiment in Wisconsin now with regard to the rates of local traffic at non-competing points? Are the people satisfied?

Mr. BACON. I do not know that I could say what the sentiment is

throughout the State. I rarely come in contact with people through the State, excepting grain shippers who are occasionally at Milwaukee, and who really have but little interest in freights, provided they are not discriminated against in any way. It is the producer who has the interest in the matter of the freights to the lake ports, and the consumer in the rates from the lake ports. I very rarely come in contact with them, and I could not give any opinion as to their views in regard to it.

#### GRANGER SENTIMENT WANING.

Senator PLATT. Is the granger sentiment, as it is called, as active as it formerly was in Wisconsin?

Mr. BACON. I do not think it is; no, sir.

The CHAIRMAN. Any action on the part of the General Government in reference to interstate commerce would only affect this question in so far as it applies to the shipment of freight from one State into or through another? A considerable portion of the local traffic would not be under the control of the National Government, and you would still be subject to the control of a State government?

Mr. BACON. Certainly; the two would require to work together in harmony. Each State should have its State commission, and the United States should have its commission.

The CHAIRMAN. What sort of a commission have you in your State?

Mr. BACON. We have only one commissioner.

The CHAIRMAN. What is his authority?

Mr. BACON. He has no authority over rates. It is made his duty to hear complaints that may be brought before him by the shippers or the public in general, and to prosecute such complaints when, in his judgment, it is best to do so, at the expense of the State.

The CHAIRMAN. Has he done so?

Mr. BACON. I am not aware of any case ever having been brought before him. The public generally are not aware of the redress provided for them by the law in the matter of excessive charges.

Senator HARRIS. How long has that been the law of your State?

Mr. BACON. I think since 1871. At least, for a number of years.

The CHAIRMAN. Has the commissioner been regarded somewhat as a commissioner to gather statistics with reference to the taxation of railroads?

Mr. BACON. The taxation of the railroads is fixed by law at a certain percentage of the earnings, 4 per cent. of the earnings of the roads, and he is required to make out the earnings.

The CHAIRMAN. They report the earnings to him?

Mr. BACON. Yes, sir; he is required to make out the amount of tax.

#### NATIONAL LAWS TO SUPPLEMENT STATE LAWS.

I made a notation here of something that occurred to me during the course of the remarks of others. It seems to me that it would be desirable to provide by law of the United States that State laws with relation to freights to points within that State, where they are fixed by the commissioner of the State with reference to rates from the same points to points out of the State, should be affected. That is, to legalize any schedule of rates fixed by the State for business within the State, as compared with rates from the same points to points without the State.

Senator HARRIS. The Federal Government would hardly have the power to enforce regulations as to business between points within the State.

Mr. BACON. No; but my idea is, if a State passes a law to the effect that rates from certain points within the State for certain distances shall be in a certain proportion to the rates from the same points to points without the State, that that law should be effective.

#### LIMITS TO NATIONAL REGULATIONS.

Senator HARRIS. The trouble that suggests itself to my mind is that the Federal Government has no right to say anything in respect to rates or regulations within the State, unless it be in respect to a shipment beginning in another State and entering that State.

Mr. BACON. Would the State have the right to designate what its rate within the State should be from points in the State to points without the State?

Senator HARRIS. The State might adopt any standard it chose within its discretion to govern its action in that regard, but we could not interfere with it.

Mr. BACON. There is a question of that kind. A certain point is a third of the distance from Milwaukee to Chicago. As to the point I spoke of awhile ago, suppose the Federal Government should pass a law that the rates from a certain point to another point should bear the same proportion, would it be effective, in your opinion?

Senator HARRIS. It would be effective as far as the State was concerned within its own boundary.

#### CHARLES RAY'S STATEMENT.

CHARLES RAY, of Milwaukee appeared.

The CHAIRMAN. What is your business?

Mr. RAY. I used to be in the grain-commission business, but at present I am out of it.

The CHAIRMAN. Will you give us your views on the subject under consideration by the committee?

Mr. RAY. I so nearly agree on most of the subjects with my colleagues who have spoken before that I do not think I need go over the whole ground.

The CHAIRMAN. State in a general way your views, and discuss the points on which you disagree with them.

Mr. RAY. I hardly disagree. There are some questions I should like to ask before I get through. I am here to learn as well as to teach.

#### EXTORTION AND UNJUST DISCRIMINATION.

As to this matter of the best method of preventing the practice of extortion and unjust discrimination by corporations engaged in interstate commerce, of course there is a part of that that we do not need to prevent very much nowadays. That is, extortion. When it comes to unjust discrimination, that is another thing. I think it is patent to any one who has given this subject any thought that the most feasible mode is this appointing of a Federal commission, provided it can be clothed with sufficient powers to give it jurisdiction to do the business. Of course, of that you lawyers need not be advised. I have not heard this brought out at all, and that is what I had in my mind when I said I might want to ask a question.



## MAXIMUM AND MINIMUM RATES.

When it comes to this matter of maximum and minimum rates, that seems to me the most important thing to establish just now. The business depression all over the United States is as much owing to the total paralyzation of money and property invested in railroads as to any other thing. I think it is as much a question to-day what should be done to stop or to remedy this as the matter of discussing a means to stop unjust discrimination or extortion. In fact, there is no extortion nowadays that we know of. This question suggests itself to me: Is it the intention that this commission shall have power to decide on minimum rates, provided the application is made by a stockholder of a railroad company?

The CHAIRMAN. This committee is sent out prepared to say what Congress will do. We are sent out by the Senate of the United States to find-out what the people think Congress ought to do.

Senator HARRIS. As a matter of fact, the members of the committee have not compared views with each other, and neither member knows what the other thinks with respect to the general subject.

## EFFECT OF OVERBUILDING RAILROADS.

Mr. RAY. They undoubtedly admit that the paralyzation of the industries of the United States to-day are as much, or are more, owing to low rates on railroads than to high rates. Railroad property has been bankrupted and demoralization has been occasioned by the paralleling of lines of railroads. It seems to me, when this subject is taken up, that some law should be passed clothing this commission with powers similar to the powers given in England to-day, by which a man is prevented from getting a charter to build a railroad which would become a parallel line to another railroad, thus destroying the property of the first railroad.

The CHAIRMAN. Or the railroads ought to have a certain defined territory, as in England.

Mr. RAY. Yes, sir; and when a man applies for a charter to build a railroad the first question should be, whether he is going to build it for the purpose of ruining another railroad or for the purpose of selling it out. Mr. Cook referred to that subject yesterday. He said there was too much illegitimate railroad building. One reason why we are asking this question to-day, how discrimination can be avoided, is because that illegitimate railroad building has gone too far already.

Senator HARRIS. The Federal Government would not have any power to legislate as to the State chartering as many railroads as it chose.

## COLOSSAL DUTIES OF NATIONAL COMMISSION.

Mr. RAY. I suppose not. I can see, and any one can see, that the duties of this commission which you are seeking to appoint will be something colossal. I should not object to Senator Harris appointing them all from one party. I think they would be as colossally damned as any lot of individuals you can imagine.

Senator HARRIS. You are willing to have them taken out of the Democratic party, then?

Mr. RAY. Entirely. As I said at the start, with the exception of asking this question in regard to the minimum rates, I know that it is of no use for me to go generally over this subject. These questions only came

to me on Saturday; and while I have in a general way paid considerable attention to the subject, I have not had time to prepare myself.

The CHAIRMAN. You generally agree with your colleagues who have been before us?

Mr. RAY. Yes, sir; I generally agree with them on the propositions. That is all I need to state.

#### A COMMISSION WITH EXTENSIVE POWERS.

Senator PLATT. Do you think the commission ought to be clothed with pretty extensive powers?

Mr. RAY. I think they would have to be clothed with extensive powers, if they are going to fix rates, as they will have to do upon certain pieces of railroad running through different States, costing different sums of money per mile, having separate terminal facilities, which have cost altogether different sums of money, and having franchises which cannot be duplicated. Certain railroads have obtained terminal facilities in this city which cannot be duplicated. Those franchises are worth money; and that must be taken into consideration in making these rates. Therefore, I say that when this commission seeks to make a general rate that would obtain from here to the city of New York, and to make it over half a dozen different lines costing different sums of money per mile, any one can see, as Mr. Lincoln said about the rebellion, they have got a pretty big job before them.

#### THE MASSACHUSETTS PLAN.

Senator PLATT. We met this idea in Massachusetts, that it would be well to have a commission, but that it would be better to have very little legislation, and practically very little power given to the commission to enforce that legislation. I suppose that idea was based largely on the experience of the Massachusetts State railway commissioners. Their legislation is very simple. Practically, it only prohibits unjust discrimination and undue preference; and it gives the commission very little power to enforce its decrees. Yet the commissioners say it has worked to substantially remedy grievances. So that we are between two theories, one with a commission with extensive powers, and the other with a commission with very limited powers. Have you thought on that subject?

Mr. RAY. Massachusetts is a small field. This has occurred to me: That this commission should have power to summon witnesses and papers, and to enforce its decisions. Else how are they going to make these investigations? Of course those powers are judicial.

#### A COMMISSION WITH JUDICIAL POWERS.

The CHAIRMAN. Do you think a commission clothed with that power, to examine witnesses and to form their judgment as to what would be right between the shipper and the transportation company, should have its judgment made *prima facie* evidence in a court of law of the justice of the finding?

Mr. RAY. Yes, sir; I should think so.

The CHAIRMAN. Do you think that would be power enough?

Mr. RAY. I am inclined to think it would.

The CHAIRMAN. Some persons have urged that that special tribunal, or commission, should be clothed with judicial power, and should be

made a court, and the members appointed for life. What do you think of that?

Mr. RAY. We can see that they would be more effective in that place; but probably it would be a more difficult thing to do.

#### MINIMUM RATES A CHECK TO RAILROAD BUILDING.

Mr. BACON. I was going to make a suggestion as to the question of minimum rates. The establishment of minimum rates would tend largely to check the building of unnecessary roads. It was suggested that that could not be checked by the Government, because the giving of charters was vested with the States. If a road was compelled to charge a certain minimum rate, and not to go below it, a company of men would be very careful how they built a road (which they could not use to bulldoze other roads, and so find their way into pools) where there was no occasion for additional roads to be built.

#### JOHN B. MERRILL'S STATEMENT.

JOHN B. MERRILL, vessel-owner and broker at Milwaukee, appeared and said:

It will be unnecessary for me to take up your time here. I fully concur with what my colleagues have said, and can add nothing.

The CHAIRMAN. What is your business?

Mr. MERRILL. The transportation business. Unless you want some information, or will ask some question in relation to water routes, I do not think I can add anything to what has been said here to-day. I am somewhat familiar with water routes.

#### WATERWAYS SHOULD BE FOSTERED.

The CHAIRMAN. What is your opinion as to the effect of waterways upon the question of cheap transportation?

Mr. MERRILL. I think the United States Government should foster the waterways. I think it should take the Erie Canal and keep it in repair, and make a free canal of it. I think it would be just to the State of New York to help to keep that canal free.

The CHAIRMAN. That canal is free now.

Mr. MERRILL. I know it is now, but it should be kept so. There are only two cities in the State of New York that are benefited by the Erie Canal in its present condition—Buffalo and New York. I do not think the State of New York is as much interested in the Erie Canal as is the State of Wisconsin, or the State of Minnesota, or Iowa, or Illinois, or any of the other Western States. I think all of these water routes should be fostered and kept up by the General Government.

The CHAIRMAN. You have a canal scheme in your State, have you not?

Mr. MERRILL. There is the Wisconsin River improvement.

The CHAIRMAN. What is being done with that?

Mr. MERRILL. I believe the General Government is laying out some money on it every year.

#### LAKE TRANSPORTATION.

Senator PLATT. Have you ever considered the question as to how the United States Government is to exercise any power of regulation with regard to transportation on the lakes? The lake is free to everybody.

Mr. MERRILL. It is free to everybody. Any man who has money enough with which to build a vessel can put it on the lakes and run it. It is open to all.

Senator PLATT. Where does the United States get its power, or right even, to control or regulate what such people shall do on the lake?

Mr. MERRILL. I do not think it has any power. It cannot have. It is only with canals that I propose it; and to give us good harbors, &c.

#### SHOULD IT BE REGULATED.

The CHAIRMAN. Here is a line of steamers running in connection with these different trunk lines between the West and the East. What will all our attempts to regulate inland or interstate commerce amount to if we cannot control transportation on the lakes, where a line of boats is running in connection with railroads?

Mr. MERRILL. That is a question I have often thought of. I do not see how you can do it. It is a difficult problem. If the railroads do not have their lines on the lakes, other lines will come in and do the work, as far as the terminal points on the lakes are concerned, and the railroads will take the business from there.

The CHAIRMAN. When you come to make a shipment from Milwaukee by water to wherever the railway takes it——

Mr. MERRILL (interrupting). At Buffalo, Sandusky, Toledo, and other points on the lake here.

The CHAIRMAN. Have you ever discussed the question of how much of the charge for transportation from Milwaukee to the sea-board pertains to the water distance of the route?

#### WATER AND RAILROAD RATES COMPARED.

Mr. MERRILL. I never figured it in that way. It is generally about one-fifth to one-quarter of the through rate.

Senator PLATT. That is from Milwaukee to Buffalo?

Mr. MERRILL. Yes, sir.

The CHAIRMAN. What is the proportion of the distance?

Mr. MERRILL. The distance to Buffalo is about 900 miles, and from Buffalo to New York about 360 miles, I think.

Mr. RAY. Four hundred miles.

The CHAIRMAN. Still the rate by water is about one-fourth to one-fifth?

Mr. MERRILL. Yes, sir; the rate by canal from Buffalo to New York is  $4\frac{1}{2}$  cents on grain. The rate from here to Buffalo is the miserable rate of 1 cent. Vessels are chartered here to-day to load corn to go from here to Buffalo for a cent a bushel. There is no extortion on that. That is the least rate I have ever known.

The CHAIRMAN. Do you ship any at all by rail while that condition of things exists?

Mr. MERRILL. On the through rate, no, sir. I do not think there is any now.

The CHAIRMAN. There is none shipped.

Mr. MERRILL. Not going to New York; going to other points. To points on the railroad this side, we do.

The CHAIRMAN. Where you do not reach them you have to ship by rail?

Mr. MERRILL. Yes, sir.

The CHAIRMAN. So that in your judgment every waterway ought to

be improved and cared for by the National Government in the interest of cheap transportation?

Mr. MERRILL. Yes, sir; I think it should be.

The CHAIRMAN. Do you know anything about what is called the Hennepin Canal?

Mr. MERRILL. I have heard something about it; yes, sir.

The CHAIRMAN. Do you know enough about it to give any expression of opinion?

Mr. MERRILL. No, sir, I do not. I think if the Government keeps up all we have already—the Sault St. Marie Canal, which is a very important canal, and the Erie Canal, and some others south—that they perhaps are all that would be necessary.

### J. H. LOWRY'S STATEMENT.

J. H. LOWRY, commission grain merchant of Milwaukee, appeared.

The CHAIRMAN. You have been listening to what has been said here to-day; please let us have your views on the subject.

#### EXTORTION AND UNJUST DISCRIMINATION.

Mr. LOWRY. As to the first question in regard to extortion and unjust discrimination, my judgment would be that a commission would be the proper thing to decide whether a case was extortionate. Let them take such testimony as they deem necessary, and let that testimony be *prima facie* evidence in court as to whether or not it was extortion. As to the reasonableness of the rates now charged, I do not know of any case where you could say there were unreasonable rates. The rates in Wisconsin are generally considered fair, and, as far as the citizens of that State are concerned, I think they are pretty well satisfied with the situation as it is.

The CHAIRMAN. Does that include the agricultural population as well as the business element of the cities?

#### GENERAL SATISFACTION AS TO RATES.

Mr. LOWRY. I am speaking now of the State at large; not in regard to the centers, but taking a majority of the citizens of the State. There has been some discussion in regard to that point, and the railroads have given the State the benefit of two or more markets. It has been a matter of some discussion whether it was not unjust discrimination. Whilst some are dissatisfied, I think the farmers and the men in the country are pretty well satisfied, for the reason that it gives them the chance to ship to those markets which have the most money.

Senator PLATT. Those markets are Milwaukee and Chicago?

Mr. LOWRY. Those markets are Milwaukee and Chicago; yes, sir.

Senator PLATT. We cannot reach the agricultural community very well, and therefore I would like to inquire of gentlemen who are engaged in business what the real sentiment is in the agricultural region with reference to whether the railroads are being fairly managed in the interests of the people at the present time?

Mr. LOWRY. We have had that question up before us in the Chamber of Commerce, and it has been a matter of some discussion. I have taken pains to make some inquiries in regard to the views of the people in the State. As a general rule I find that they are well satisfied with the

rates they are getting, from the fact, as I said before, that it gives them the benefit of shipping to where they can get the most money. The Watertown matter has been brought up in discussion here as being 45 miles to Milwaukee and over 100 miles to Chicago. I will state that 40 miles out of Milwaukee the rates are less to Milwaukee than they are to any other market; but take it outside of that range and we strike the Whitewater. Years ago the Milwaukee and Chicago system of railroads started, and there was a railroad started from Chicago called the Northwestern, that ran back of Milwaukee to cut off the trade from our State. It crossed the Milwaukee road at this point. It would make no difference what rates were made from that point to Milwaukee, the same rate would be made by the road that came here. Each road would take its share of the grain. That was the origin of this matter of giving the people the benefit of two markets, and since then it has been carried out in that way.

Senator PLATT. Do you agree with what one witness said—I think perhaps it was Mr. Bacon—with reference to the fact that local rates at non-competing points have not been very much reduced during the last ten years?

Mr. LOWRY. I have not examined that point; but my impression was that they were not as high now as they have been.

Senator PLATT. So far as you know, at least, they are not the subject of very loud complaints on the part of the people?

Mr. LOWRY. The people of Wisconsin feel friendly to the railroads in one respect. A year ago this last winter our corn crop was cut off. There was a corn famine up there, and they would probably have lost a great deal of stock, and there would have been a good deal of suffering. But the railroads made a very low rate into the corn country in Kansas and Nebraska, and brought up corn and supplied it to them to feed their stock, and gave them facilities for bridging over. In that respect the people feel that there had been no extortion.

Senator PLATT. They pursued the policy of enlightened selfishness with great success.

#### PUBLICITY OF RATES.

Mr. LOWRY. As to whether publicity of rates should be required by law, I should say yes; and they should be controlled by a commission that would give them publicity. That commission ought to have discretionary powers; and perhaps the commission should be limited to a certain extent.

#### MAXIMUM AND MINIMUM RATES.

As to the advisability of establishing a maximum and minimum rate, there is no doubt but that a maximum rate should be established, although the water routes at the present time have controlled the maximum rate to a certain extent. As far as the minimum rate is concerned, it does not seem that any State government yet has ever tried to establish one. Therefore, in the present state of affairs of the railroads, it would seem desirable that some law should be passed for their benefit, as well as a law for the benefit of the general public.

#### ELEMENT OF COST.

As to the element of cost of the different railroads, I do not suppose any expert officer has ever tried to determine the exact cost. It would

be a pretty hard matter to establish. But there is one thing that is very evident. The main thoroughfares can afford to transport freight a great deal cheaper than those running through sparsely settled territories. In those sparsely settled territories they have run trains without much compensation. As far as the cost of it is concerned, it would undoubtedly vary in different sections.

#### REBATES AND DRAWBACKS.

As to the matter of rebates and drawbacks, it is generally considered that they should be prohibited. There may be cases in which there might be exceptions allowed. For instance, on raw material for manufacturing. It might be well to have a classification of articles that should be carried at less rates than others.

#### POOLS.

In regard to pooling contracts, I think that probably the best method of controlling the rates would be to allow them to pool, the pools to be regulated by a commission. That would be a most effective method of doing away with the rebate system, which seems to be the most objectionable thing now brought up in reference to the matter of interstate commerce.

#### RIGHT TO SELECT ROUTE.

In reference to the law for securing to shippers the right to select their lines, I think it would be proper to give the shipper the privilege of choosing the initial line over which he should ship. But if his freight has to be transported over a series of lines of different railroads, the probabilities are the initial road should have the privilege of choosing its connections. It can often make better running arrangements with one road than another. In fact, it would facilitate the matter of cutting off rebates.

For instance, in regard to allowing a shipper to select the initial line, I will call attention to the fact that parties are shipping live stock from Council Bluffs. There are five different roads over which they can come to Chicago. These shippers often go over these roads and establish their stations for handling their own stock, taking off the stock, and feeding and caring for them at those stations. If they are not allowed to choose the initial lines and the stock should go over some other lines, or if the commissioner should say which one it should go over, it might create a good deal of loss to such shippers. I have known cases in fact where the commissioner has decided which line the freight should go over, with a very detrimental result to the men shipping the stock.

#### UNIFORM SYSTEM OF RATES.

In regard to a uniform system of rates for the transportation of passengers and freights by a corporation, I should think that ought to be included in the powers of a commission.

#### THE CAR-LOAD THE UNIT.

With regard to the matter of concessions to be made to a large shipper, I would suggest, as those before me have suggested, that a car be the unit of transportation, and that all should share alike. This rule specifying the actual difference in expense I should think would cover all that any person would ask for.

## REPORTS TO THE COMMISSION.

"Is it desirable that corporations engaged in interstate commerce should be required to make any reports to the Government?" The matter of pooling would necessitate the making of a report to the commissioner, which I should suppose would take the place of any control the Government might acquire over a railroad.

That covers about all the questions that are asked in your circular.

## WILLIAM J. POPE'S STATEMENT.

WILLIAM J. POPE, grain commission merchant, of Chicago, appeared.

The CHAIRMAN. What is your business?

Mr. POPE. I am in the grain receiving and commission business at Chicago.

The CHAIRMAN. You have been listening to other gentlemen who have appeared before us, so that you understand the scope of our investigation. Will you go on and give us your views generally upon the subject?

## PRAISE FOR RAILWAY OFFICIALS.

Mr. POPE. The afternoon is far spent, and I will take but very little of your time. I want to say in a general way that I believe the railway officers who represent the roads centering in Chicago, endeavor in every possible way to discharge their duties with the greatest fairness, and with the greatest kindness toward their patrons. I delight in saying this in their defense, because, from an experience of more than twenty years, I have never had a just claim on any railroad centering here, for loss or damage to property, or for overcharging, but it has been paid. They are, without exception, the fairest and best class of men we have.

I want to say in this connection that I think one of my colleagues was led into an error on Saturday last by some misinformation, probably, with reference to the Rock Island road. I say this voluntarily, because it so happens that we have been among the largest receivers, and at times the largest receivers over that road. I read in yesterday's paper that this gentleman thought it was not worth while for him at one time to make an effort to do business over the Rock Island road, because the officers of that road were interested in a grain house here and discriminated in their favor. I know positively that cannot be so.

I asked him to-day to correct it rather than to leave it for me to do, and he said he was perfectly willing to say to me that no such cause existed now; but that it may have been so at some time. I said to him he was error in that. I know most of the time during twenty years' experience we have been among the largest receivers over that road, and have been in direct competition with this house, and I am perfectly certain there has been no such thing. I only refer to it to show how easy it is for men to be misinformed and misled.

## COMPLAINTS.

In a general way, as to whether or not there are complaints existing, I can say that there are complaints as to some of the lines, and then again there are not as to others. It is one of those difficult problems



that is not pleasant to discuss. But I want to assure you that I know it to be a fact that over almost parallel lines of road running from the west to Chicago the management of one line is so fair, so liberal, and so broad that almost all the shippers upon the line—I will not say one, but two or three or more—were friendly to the management; and if they were here they would defend the management, and praise them. Still, on some other lines the complaints are very general.

I tell this simply to show you how difficult it is in my mind to make any arbitrary law that would be fair in its application, to be administered through the General Government, in a case like the one I have just cited. I noticed that Senator Platt, in talking with Mr. Bacon, spoke of it specially this afternoon, and I was very glad to hear him.

#### REDUCTION EAST OF CHICAGO.

Something has been said about the reduction of rates during the last decade. While that reduction has been very large between here and the East, it is true, it has not been correspondingly large between the territory tributary to Chicago. There has been nothing like so rapid a reduction. In fact, I think I can say as to the rate established last August and September by nearly all the large lines centering in Chicago, that it was about as high as at any time within the period of ten years or more.

#### RATES HIGH WEST OF CHICAGO.

For example, they established a rate of 25 cents per 100 pounds upon corn, and 30 cents upon wheat from all points between the Missouri River and Chicago, coming, perhaps, an average of 100 miles east of the Missouri River. That is a very high rate; and while I did not go to the newspapers about it, I labored with those gentlemen representing those roads, asking them not to advance the rates at a time of depression and low prices. For a time they seemed to favor the argument I made, and said they would reduce them; but the reduction did not come until some time after, when the rate was made 22 cents; and that was the prevailing rate.

Senator PLATT. For what distance was that?

Mr. POPE. I am speaking now of a distance of about 380 or 390 miles. Beginning at that distance west of Chicago and running for an additional hundred miles. The people in Iowa are now paying 22 cents (they did pay 25) on corn and coarse grains; while the same lines of road were hauling the same property of the Kansas and Nebraska grower a greater distance for a rate of freight something like 3 to 5 cents per hundred less; and that rule applies now.

#### LONG AND SHORT HAUL.

As to that question about rates on short hauls and long hauls, that question has about as many phases as the chameleon. For example, the rate from the Mississippi River to Chicago on some roads—on most of them—is an average of about 10 cents. They are not satisfied with double that rate for double the distance; but when they have doubled the distance running west they want a very large additional rate over the rate from the river. Then they will tell you that that is because of certain geographical lines which they have established. So that in all cases they charge a much higher rate proportionately for the long haul than for the short, although in many instances they justify the charge for a short haul, and I think fairly so.

## DIFFERENCE IN RATES TO BOSTON AND NEW YORK.

Another point, as to distances and rates, is this, and it is one which perhaps Senator Platt may particularly notice. The tariff of rates between Chicago and New York, and Chicago and Boston, was regulated or established at an arbitrary difference of 5 cents per hundred in favor of New York at a time when the rate was very much higher than now. When these fast freight lines were introduced, if I remember correctly, the rate was about 80 cents per hundred to the sea-board. The difference in the mileage, taking the New York Central and Lake Shore as a basis, is less than 6 per cent., about  $5\frac{1}{2}$  to 6 per cent. The difference in the mileage is 55 miles; that is to say, it is 55 miles farther from Albany to Boston than it is from Albany to New York. That 6 per cent. difference was the basis. Those arbitrary rates have long since passed, still that arbitrary rate of 5 cents is kept up. In other words, they charge all Boston and New England points an arbitrary rate of 25 per cent. more for the Boston haul than for the New York haul.

Senator PLATT. They omit it in the case of export trade?

Mr. POPE. They do; but they do not to the local points, and that is very largely offset by the terminal charge which is taken from the New York business, and is not taken from the Boston business. So that when the tariff rate is 20 cents to New York, it virtually is only 17 cents for a division between the roads; the 3 cents terminal charge being arbitrary at the New York end, as I understand it. That only serves to aggravate the position of things, in that they virtually charge Boston 8 cents per hundred more to New York. In other words, when the rate is 20 cents to New York, it is really, in fact, but 17, and the rate to Boston is 25, or nearly 50 per cent. higher than the New York rate net, with a mileage of only  $5\frac{1}{2}$  per cent. extra. That has been going on for years, and it is in existence to-day.

I ought to say, perhaps, as to this present low cut of rates (which is not, by the way, a tariff rate at all), that where rates have lately been made at  $11\frac{1}{2}$  to 12 or 13 cents to New York, the Boston rate has been made perhaps 13, or a difference of 2 or  $2\frac{1}{2}$  cents; but the percentage remains still about as large.

The CHAIRMAN. Does that disparity between New York and Boston against Boston affect the trade here, or does it affect the people at that end of the line alone?

Mr. POPE. I take it that it affects both. There have been times when on oat shipments the New England people could get their oats cheaper from the Canadian side, bringing them down and paying the duty on them in Northern New England.

## LOCAL RATES MAKE UP FOR LOW THROUGH RATES.

Senator PLATT. Is not the necessity of keeping these local rates west to Chicago practically up to what they were ten years ago to be found in the great reduction that has been made in through rates down to an almost non-remunerative point?

Mr. POPE. I do not see that that should follow, because the Western lines are in no way interested in the Eastern lines. It may arise in part from this, that they are dividend-paying roads. I am glad to know that they are. I wish you would remember that I have not said the rates are arbitrarily high. I am not here to say that I think the rates are extortionate. I think they certainly are remunerative.

Senator PLATT. But there is a sentiment in the country, as expressed

by the people who have witnessed the increased facilities for carrying freight, that freights ought to be reduced.

Mr. POPE. There is, and there is a good deal in it. As you say, the increased facilities, the advantages of steel rails, the introduction of the coal burner, the improvements made in steam apparatus by which the motive power is increased, the enlarging of the capacity of the car and all that, enabling them to haul larger cars—all those things enter into the problem. But there is something besides that. With some of these roads there has been an increase of stock resulting from the use of surplus earnings, in the purchase of lines and in the investment in the improvements, if you please, by which they find it necessary perhaps to maintain those rates in order to pay dividends on the total stock. Where the capital stock of the road may have been originally \$30,000,000 they have bought certain additional lines of road and have paid for them out of the surplus earnings of the original plant, and have issued stock for the whole of it.

Senator PLATT. Do not the roads going west from Chicago have to share in some way with the eastern roads from Chicago the low rates for through freight?

#### POOLS DAMAGING TO RAILROADS AND THE PUBLIC.

Mr. POPE. It is not unusual to make a commutation rate, but as a rule the Western roads get very nearly their local rate out of it. That brings me to say a word—and I must hurry; I must talk in a desultory way—about the question of pools. Of course my opinion is worth very little. I feel somewhat about the railway problem as Professor Agassiz said he felt about nature—the more he learned about it the less he knew about it. This question of pooling is the all-important question at this time. While I have been a close student of Mr. Fink, and of those who advocate pooling, and while for a short time I was a believer in it myself, I am fast reaching, if I have not already reached, the point where I do not believe in it; that is to say, I am very clearly of the opinion, based upon observation, which is worth more than theory, that it is a damage to the railroads themselves, as well as to the public.

#### THE JOY POOL.

I could entertain you with illustrations in support of what I have to say if I had maps, and you had the time. Only a few years ago there was a pool established in Chicago, known as the Joy pool, by which arbitrary rates were held from here. The result was that nearly all the Western railway managers came before the committee of the board of trade, of which I had the honor to be a member, and with great unanimity gave their testimony promptly and positively against the workings of that pool, and pretty generally against pools in any case. You are acquainted with the location of places, and therefore I will have to refer to one case. The little town of Gilman, about 90 miles south of Chicago, was a point we took up to illustrate the thing. Our committee showed the parties who were in that pool that they were losing business there, and they said they could not help it; that the business to Philadelphia and other Eastern points might be drawn away which theretofore had been tributary to Chicago, and we must not expect to hold it. We stated this case: Chicago is on the line of a due north-easterly route. That road travels southwest, running through Gilman

down to Springfield, and from Springfield to Flora, on the Southeastern road, striking the Ohio and Mississippi; from there to Cincinnati, and from there to Dayton and to Detroit, and over the Grand Trunk road. That freight traveled three times the distance to get around Chicago, and the supporters of that pool, when they saw that thing going on, thought it was time to abandon it.

#### DIVERSION OF FREIGHT.

Another thing. I was surprised to hear my good friend Mr. Bacon, a gentleman I respect very highly, take the ground he did this afternoon. We are good friends, and I was surprised at his judgment, that is, as to legalizing pools at all. There are so many things involved in it that to my mind are un-American: First, I think he made the point that he could see no reason why a commissioner or a railway should not have a right to divert the business of a shipper from a line that has always treated him well, and with the officers of which he was acquainted, and in which road he possibly might be a stockholder—a line which, if his property was lost by collision, would pay him promptly. Mr. Bacon thought the commissioner should have the right to divert that man's property over a bankrupt line which could not pay its operators, and which, if it should so happen that he should have a claim against the line, he would have to whistle for.

I think that is contrary to American rights. It so happens that Congress has legislated (I believe it still remains so, unless the Supreme Court has changed it a little) giving the African the right in this country to select his hotel, and the right to ride in any car. But if you establish pools you deny the right of Americans to dispose of their property as they please. That is contrary to my civil rights in my business. Perhaps one is the question of property and the other the question of personal rights.

#### THE HORN OF THE DILEMMA.

Farther than that it is a bad idea that a good line—one that secures a large business because of its good management, and because of the dispatch with which it handles property—should be obliged to pay over a large part of its earnings. You must take one or the other horn of the dilemma. If you have pools you must allow the commissioner to divert property, or else you must oblige the successful road to pay over a large share of its earnings to the bankrupt road.

Third, the workings of these pools have demonstrated that those who are the most pertinacious in maintaining the pools are the first to violate them. It seems to me it involves the pooling of every prominent point in America. We had in operation, and we have yet, what is known as the Southwestern pool from all prominent Missouri River points—Kansas City, Saint Joseph, Atchison, and Leavenworth—from which arbitrary fixed rates are made. We had last winter a very arbitrary pool from Chicago, which was well maintained; and I would like to say to my good friend, Mr. Ray, who deprecates the low rate from here to the East, that the railroads do not make them. The water rates fix them. Mr. Merrill told the story when he said the rate was 1 cent a bushel from here to Buffalo. If the stock market feels the want of patronage it must be attributed to the way stock has been issued, and to the loss of public confidence in the reports of the railways rather than to the rates.

## ILLUSTRATION OF CUT RATES.

But, to return, it so happened that some other lines had not a lake port. Lines reaching east of here are always very anxious for the maintenance of a high rate at Chicago, because they know that any property that comes to this entrepot, and remains for spring shipment, will be lost to them. The New York Central does not care so much about that, because they have a line from here to Buffalo, and a system of lines from there. But there are lines that are not so situated, and those lines are the most tenacious in maintaining an arbitrary rate to Chicago. Then they will cut rates behind us and take property, with a greater increased mileage of 100 or 200 miles in distance, and charge a lower rate, and do that business all winter long. Taking corn again as a basis, business starting from Kansas City and Chicago last winter had to pay 20 cents a hundred pounds to Chicago. A reshipment had to pay 25 to New York. Total, 45. What was the result? We lost, I think, \$10,000,000 of business we should have had. These very lines go out to Ashland, Ill., which is inside of the Mississippi River, and take property from Ashland to Baltimore at 17 cents. The rate from the river to Ashland was 15, and from Ashland to Baltimore 17; total, 32, as against 42 from Chicago to Baltimore. Corn was shipped from all the territory between the Missouri River points to certain points on the Mississippi River, and was brought within a short distance of Chicago, and there taken up by lines that operate over the New York Central, on a total of 35 cents from the Missouri River to New York, running just around Chicago a little to the south of it, while the same property under the pooling system must pay 45 cents a hundred to come here. And the New York Central shared in that cut rate. I might go further and say they fostered it and encouraged it. If I mistake not, the only point on the Mississippi River that was pooled was Saint Louis, while from Burlington, Quincy, Davenport, and other points the rate was wide open.

## EVILS OF POOLS EXCEED BENEFITS.

The people who are the most tenacious for the maintenance of pools from these pivotal points are the most ready to grab for business at the non-competing points. So that the pooling system in that case did these roads no good. That is what I am trying to illustrate. They lost the business, so far as the pooling points are concerned. They hauled it at a much lower rate and were the first themselves to violate the pool. I will admit that, in my judgment, there are some benefits to be derived from pooling, but I think the evils are much greater than the benefits. I believe the time will come when a bill of lading of a dividend-paying road—the road that pays its losses and that handles property with dispatch and in the most efficient manner—will sell for more than a bill of lading of a worthless, bankrupt line. I cannot see why it should not. Railway men tell me, "You cannot apply commercial principles, or any other principles that will apply to any other commercial business, to railroading." The note of the New York Central, or the Pennsylvania Central, if there were one extant—I do not think there is one of the Pennsylvania—is quick at par. The note of some of its competitors would probably bring 10 cents on the dollar. Why should the bill of lading of one be on a par with the other, or why should the stronger party consider it a duty to bolster up the weaker one?

## SAME PRINCIPLES FOR PASSENGER AND FREIGHT TRAFFIC.

Had anybody stated five years ago that the Pennsylvania system would establish a line of passenger travel and put on such trains as they have under their block system, guaranteeing to the public such speed and such comfort as they give, and that they could charge \$25 or \$30 for passenger fare from Chicago to New York, while the other lines were charging \$15 or \$18, and that the Pennsylvania line would carry all the business, or a great share of it, he would have been considered, perhaps, a crank. But that problem has been worked out. The Pennsylvania line out of this city to-day carries more passengers than any other line by its limited express (from which I understand all passes are barred), and the people pay them the greater rate because of the safety and comfort and dispatch they get. The same principle holding good, can it not be applied to freight, not with such a marked difference, perhaps, as with passenger travel? If I desire to ship corn to New York, I can ship it by the Pennsylvania line—and I speak of that not because I have any preference for it at all (for any other good line would answer), but their motive-power and equipment and road-bed are perfect—and they will take that property to New York for me with the smallest leakage, or less than one-half of 1 per cent. They do not guarantee weights in bulk grain, as perhaps you know. There may be another line that will take the property for a little less. Their track is out of condition, their motive-power is crippled, the roofs of the cars will be leaky, the ends of the cars, perhaps, may, some of them, be split open, and my loss by leakage will be very much greater by the poor line than by the good one. Yet gentlemen tell me it is necessary to maintain pools so that the worthless lines shall get as high a rate of freight as the good ones, though its note or promise of any kind will not sell for half what the note or promise of the other does.

## WEAK ROADS TO BE REORGANIZED.

Senator PLATT. What is going to become of the poor road?

Mr. POPE. I will give you my opinion. I believe the good roads can carry property even to the sea-board ports, with their improved equipment, at a rate at which they can live that will starve the poor road out of existence, naturally resulting in a reorganization by men who will be ready to maintain freights at a fair rate. I wish to say, in passing, that I am a believer in the maintenance of agreed rates between roads. At many points in the West where there are not pools, there are agreed rates, between honorable roads, that are maintained. They have a system of exacting a penalty or fine among themselves, to be charged to any road that is caught violating that agreement. But if they will not maintain their promise made to each other for agreed rates, I do not think it is the duty of the National Legislature to step in and inflict upon this American people a law to maintain pools (after seeing the evils of them as I have), forcing the roads to do their duty towards each other.

Senator PLATT. You think, then, it will come to this: That the weak roads will finally be reorganized on a reasonable capitalization by parties who can make of them such roads as will do the business promptly and satisfactorily, and that they will live?

Mr. POPE. That is my theory of it exactly. It is the result of considerable thought. I do not think it is worth much, but I cannot see any other solution of this problem that is in harmony with American ideas.

Senator PLATT. Either that will be the result or the weaker roads will be purchased by the stronger ones?

Mr. POPE. Yes, sir.

Senator PLATT. Or there will be a consolidation with the strong roads?

Mr. POPE. Not necessarily a consolidation.

Senator PLATT. When the New York Central takes the Nickel-plate and adds it to its system, that necessarily forces it to get rates which will enable it to pay dividends on a larger capitalization than it had before on the same business between the same points.

Mr. POPE. They cannot, except from local points.

#### LONG AND SHORT HAUL.

In that connection I do not altogether agree with some of my colleagues, who hold that the short haul should not at any time be obliged to pay a larger rate than the long haul. The fact is on this business to New York at present, for example, the rate is the low one of  $12\frac{1}{2}$  cents a hundred. The roads themselves do not make that rate. That is to say, we are obliged to make it, because the rate is previously made by the water rate. Probably, if the road depended on Chicago business proper, it never would have been built to this point, so far as freights are concerned. But they built it through, and reached the country in the interior. There is something remarkable about that, according to my observation. People that live in agricultural districts will hold meetings and build bonfires and mortgage their farms in order to get a railroad, and they will hardly get it before they will hold indignation meetings.

Senator PLATT. And endeavor to get the rails taken up?

#### PRINCIPLES OF COMPETITION.

Mr. POPE. Yes, sir. But, for illustration, we will take Fort Wayne. There is no competition there, say. A road is built through that country. That town, say, has not in any way been damaged by a lower rate from Chicago. To say that the principle of a short haul should be arbitrarily established, and that in no case should it pay a higher price than the long haul, seems to me unjust. A man may desire to ship to Lancaster and other points. If a road is not built, the parties at Lancaster and Fort Wayne would suffer very materially. The Fort Wayne man might have to haul his grain to a lake port. To say that the road should not have a rate that will pay for that business is not, it seems to me, right.

The CHAIRMAN. You do not believe that the transportation company would have the right to take freight from Chicago, for instance, at less than cost, and then recoup on the Fort Wayne people?

Mr. POPE. No, sir; I do not think that is the principle; but the road-bed is here, the track is here, the trains are running, and the companies compete for business. They should never do the Fort Wayne people any injustice because of that. But I do not think it is correct to argue that it must necessarily follow that, while the rate established at Fort Wayne may have been a fair one, because they were obliged to take exceedingly low rates from here, therefore the rates should be reduced accordingly.

#### PERCENTAGE OF GRAIN SHIPPED BY WATER.

Senator PLATT. What portion of the grain from Chicago goes to New York, for some portion of the distance, by water?

Mr. POPE. I think less than 50 per cent.

Senator PLATT. You think 50 per cent. goes by rail?

Mr. POPE. Yes, sir.

Senator PLATT. What is the difference in time on grain from Chicago to New York by all rail over that by part water?

Mr. POPE. The average time from here to New York, depending somewhat upon the season, perhaps, is five to six days. Sometimes it is less. In the winter season it is a little longer by all rail.

Senator PLATT. How long by water?

Mr. POPE. If by steam to Buffalo, the average run is about four days; and the estimate for the canal is fourteen, making eighteen days. But if by sail from Chicago to Buffalo, the time is somewhat lengthened, perhaps twenty to twenty-five days by sail and canal.

#### IMPORTANCE OF TIME IN GRAIN SHIPMENT.

Senator PLATT. Is not time becoming more and more important all the while in the business of getting grain to New York?

Mr. POPE. I think I can say that the dispatch that is now made is satisfactory to the shippers.

Senator PLATT. Is it not rather dangerous to ship by water, if it is going to take ten days to get to New York, with the fluctuations in prices during the time that grain is on the vessel? Are not those fluctuations such that a shipper does not want to take the risk?

Mr. POPE. A very large portion of this is done by sales in advance. The export sales and sales for delivery, and the business done in that way, is on the increase. For example, large sales may be made here to day for shipment to New York during July, and the shipper times his delivery in New York along with the rail facilities offered him. There is as much dispatch as would be necessary.

The CHAIRMAN. So that the element of time is not of very great consequence?

Mr. POPE. The way that business is managed, they adapt themselves to that matter. If a man wants a quick shipment to New York, of course he avails himself of the railroad facilities.

#### FAST FREIGHT LINES.

There is one thing I would like to suggest in this connection—I do not know but that it is foreign to it—and that is in regard to these fast freight lines that do the most of the business. In a general way, I will say about national legislation, that I think the statement made by Senator Platt as to the expression given in Boston, is a very happy one. So far as I have been able to read the workings of the Massachusetts commission (which after all was but an advisory one while Mr. Adams was upon it), it has been the most satisfactory of any that I know of; and what has been said about the prevailing opinion in Massachusetts is pretty nearly my own opinion. There doubtless ought to be, and will be, some national legislation on the subject; but I think it is a very delicate matter, and one which we ought to grow up to by experience, rather than by being too arbitrary at first.

#### THE CULLOM BILL COMMENDED.

I will say in this connection that I read Senator Cullom's bill some time ago. As I remember, its features are such as commend themselves to me. I have endeavored to get a copy of it here; but this committee has been so careful and scrupulous about any one seeing it; that I could not get one. Speaking from memory, I believe the bill "hits the nail on the head."



## UNIFORM BILLS OF LADING.

That brings me to say, however, that if any national legislation does come up, perhaps some consideration should be given to the character of the bills of lading generally issued by parties. They should be uniform, and that a little more protection should be given to a shipper than now prevails.

There is another thing that has challenged my attention, and that is the fact that nearly all these lines of railway doing interstate commerce especially, have fostered and built up a system of fast freight lines known as the Red Line, and the Blue Line, and the White Line, and the National Dispatch Line, &c.

## RESPONSIBILITY OF FAST FREIGHT LINES.

The CHAIRMAN. Do the railway companies own these lines?

Mr. POPE. That is a point I would be very glad to have any one answer for me. So far as I know, they do not own a mile of railway; they do not own a wheel of motive power; and, in the majority of cases, they do not even own the cars which they operate. With some of the lines the cars are obtained by contributions made by the different roads over which the lines operate. Some of the other lines have a company within the company that owns the cars. Some others still operate cars that are owned by car trust companies, and that are loaned to them. While no serious difficulty has arisen, that I know of, from any failure of those fast freight lines to meet their liabilities—I am glad to say that for them—at the same time I question if any of those lines should meet with serious loss, whether the holder of those bills of lading could bring any action against them. They are not incorporated. You could not find anything to sue. You could not bring any action against any of the lines, especially the line where the business originated, if the loss occurred on a connecting line. I am assuming now that the loss was a large one, and that the lines should not offer in themselves sufficient indemnity. If they have any indemnity, I do not know what it is.

Senator PLATT. So far as you know, are those lines profitable?

Mr. POPE. They are not required to make a report to any one.

Senator PLATT. They act as if they were making some profit out of the business.

Mr. POPE. It would be a very difficult question to answer. I suspect that they must be found profitable, or else they would not be maintained and increased.

These are only fragmentary ideas which have occurred to me. I would be glad to see a uniform bill of lading established. Some of these roads from the West have a vicious habit of distributing their bills of lading around among the shippers and dealers in town. Not long since four or five of our leading receiving houses here were mulcted in large sums from a bill of lading which was made up by one of these shippers. He filled it out, so many cars of corn, with the car numbers, and signed the name; and when a loss occurred the man was gone, and of course there was no company. We have endeavored in our commercial business to get them to agree on a uniform bill, so as to avoid any such thing. But the most of these companies offer very little indemnity to the shipper. He has to rely upon the honor and candor of the company. As I say now, they have been very prompt and fair to pay.

The committee then adjourned to 10 o'clock a. m., June 16, 1885.

## GEORGE M. BOGUE'S STATEMENT.

GEORGE M. BOGUE, arbitrator of the railroad pools west of Chicago, and formerly railroad commissioner, appeared.

The CHAIRMAN. You have been a railroad commissioner in this State for a number of years. The committee would be glad to have you give a short history of the railroad legislation of this State, operation of it, and its effect upon the transportation companies. Make a general statement, in your own way.

## SKETCH OF RAILROAD LEGISLATION IN ILLINOIS.

Mr. BOGUE. The first legislation in this State was by legislative enactment, fixing the legal rate for transporting passengers on certain roads at 3 cents per mile; this was in 1869. On July 1, 1871, the law went into effect, establishing a board of railroad and warehouse commissioners, prescribing their duties, &c.

Form of report for roads to make to the commissioners was prescribed.

Power was given to the commissioners to ask additional questions.

The commissioners were required to make report to the governor of the State, on December 1, of each year.

The commissioners were required to examine into condition and management of road, as to accommodation and security of individuals doing business with said roads.

Prosecute any case of violation coming to their knowledge.

Were given power to examine the books of the different railroad corporations.

Were empowered to examine witnesses under oath.

And as would appear from the title of the commission, supervision was given them over the warehousing and inspection of grain in the city of Chicago.

## EXTORTION AND DISCRIMINATION PROHIBITED.

Also an act to prevent extortion and unjust discrimination. The provisions of this act fixed the passenger rates in different classes, ranging from  $3\frac{1}{2}$  cents per mile to  $5\frac{1}{2}$  cents per mile; and the rates charged by the roads in 1870 were made the standard for freight charges. The commissioners were directed to classify the roads into groups, so that the legislature could, at its next session, revise the legal rates. Certain penalties for violation of law were prescribed, but the parties aggrieved were obliged, at their own expense, to sue for recovery of damages. No suits were commenced, as individuals were disinclined to litigate with the roads. But provision was made that in case of the fifth violation of the law by a railroad company that road should forfeit its charter, proceedings to be instituted by the commissioners in the nature of a quo warranto. The act forbid any discrimination whatever, under any circumstances, and the commissioners were obliged to prove that the rate charged by the railroad in excess of the legal rate was an extortionate rate.

A case against the Chicago and Alton Railroad Company was carried to the supreme court of the State under this act, and it was held by the court that no prosecution could be maintained under the act until it should be amended, because it did not prohibit *unjust* discrimination merely, but discriminations of any character, and because it did not allow the companies to explain the reason of the discrimination.

Senator PLATT. The constitution recognizes discriminations?

Mr. BOGUE. The constitution of the State recognizes discriminations, admits that there would be conditions and circumstances under which railroads could discriminate, and that the only question the legislature could act upon, in framing a law, would be the question of unjust discrimination.

#### PRESENT RAILROAD AND WAREHOUSE ACT.

The legislature which convened immediately after the promulgation of that decision repealed that section of the law which prohibited discrimination and extortion, and passed a new act, which is the present law of the State, and which went into effect July 1, 1873, in which was inserted what is known here as the famous "section eight" of the railroad law of this State. It provides that the commissioners shall make for each of the railroads doing business in this State a schedule of reasonable maximum rates of charges for both passengers and freight, which schedules should be deemed and taken in all the courts in this State as *prima facie* evidence that the rates therein fixed are reasonable maximum rates, throwing the burden of proof upon the railroads instead of the people, in case the railroad companies shall charge a rate in excess of the rates named in the commissioners' schedule.

The CHAIRMAN. Of proving that the rate was not an unreasonable rate?

Mr. BOGUE. Yes, sir. Section 8 simply provides for a maximum rate. It allows the railroads of the State to charge a higher rate than the commissioners' schedule, in case they think the commissioners' schedule is not a reasonable rate, and that the rate they may charge in excess of it is not an unreasonably high rate. And in that case they will be compelled to go into court, and prove that the rate they charged in excess of the commissioners' schedule is a reasonable rate.

Senator HARRIS. Do you mean that they would have to commence the judicial proceedings themselves, or are they brought into court?

Mr. BOGUE. No, sir. It would be left for the railroad commissioners of the State to prosecute the roads for violation of the law, in having charged a rate in excess of the commissioners' schedule of reasonable maximum rates.

Senator HARRIS. And when the litigation is commenced, the onus is thrown upon the railroad?

Mr. BOGUE. Yes, sir; of proving that the rate they charge in excess of the commissioners rate is not an unreasonable rate.

#### RAILROADS CONTEST THE ACT.

That law went into effect July 1, 1873, and the commissioners then appointed prepared a schedule of reasonable maximum rates for all the roads in the State, which schedule took effect in 1874. There was litigation had under the enforcement of that schedule in nearly every section of the State. The constitutionality of the act was affirmed, I believe, in all cases. They were passed up to the supreme court of the State and there remained undecided until 1880.

The CHAIRMAN. At which time you were a commissioner?

Mr. BOGUE. In the mean time a new board of commissioners had come in, of which I was a member.

The CHAIRMAN. When were you appointed?

Mr. BOGUE. That board of commissioners was appointed in Febru-

ary, 1877; and, with the change of one member, that board remained continuously in office until the early part of the year 1882.

When the board of commissioners, of which I was a member, came into office we found that the constitutionality of the act had not been decided; that is, the railroad section of the law. The warehouse part of the law had been litigated, and had passed to the Supreme Court of the United States, in the case known as the "Munn case." It was decided in 1877 in favor of the State regulating the warehousing and inspection of grain.

We came into office, as I stated, and found that the constitutionality of the railroad law had not been decided; that it was before the supreme court in some four or five cases, from a number of circuits throughout the State; and we decided that it would not be good policy to institute any legal proceeding under the law so long as the act itself was before the supreme court of the State for adjudication. We constituted ourselves (on our own motion, as there is no such power in the law) a sort of board of arbitration, in which we heard all complaints. We communicated with the railroads in regard to them, and in nearly every case all the complaints were adjusted very quickly and readily by the roads. We pursued that policy until our State supreme court affirmed the validity of the act.

We then applied ourselves to the revision of the schedule of reasonable maximum rates. We finally completed the schedule, and it went into effect December 1, 1881.

#### CLASSIFICATION OF RATES.

But that I may give the committee a connected history of the fixing of rates, I will here state how the commissioners appointed in 1873 proceeded.

After section 8 was put into the law, and which took effect July 1, 1873, the commissioners classified the roads into groups. They made five groups of roads, fixing the passenger rates at from 3 cents per mile to 5½ cents per mile, according to the groups. They fixed the freight rates according to the best information they were then able to derive.

#### SCHEDULES REVISED IN 1881.

When the commission of which I was a member, in 1881, revised the schedules we made but two classes of roads, class A and class B. In the time that had intervened the poorer roads in the southern part of the State had nearly all (I guess with hardly an exception) passed through bankruptcy, and had largely been absorbed by the different systems of roads.

There had been a good deal of development throughout the State and we concluded that we would make but two classes of rates.

#### UNIFORM PASSENGER RATE.

In regard to passengers we made a uniform passenger rate, through the whole State, of 3 cents per mile.

#### FREIGHT RATES.

In freight rates, we classified them into two classes.

The schedule that we prepared worked an average reduction over the schedule which had been prepared in 1874 of about 30 per cent. In

freights, on the average haul of the State (which is about 125 miles), the reduction over the former schedule was something like 22 per cent. The reduction in the passenger rates, taken as a whole, averaged about 20 per cent. I am not, however, ready to say that that reduction was brought about simply by the legislation of the State; but transportation rates had greatly decreased throughout the State during the period that had intervened between the preparation of the first schedule of rates and the time that we prepared ours.

The schedule was accepted by all the roads in the State of Illinois, and it became the tariff of rates of the roads throughout the State. They adopted the maximum rates as their charging rates.

Senator HARRIS. How long did they continue to charge the maximum; or do they continue up to this time?

Mr. BOGUE. As far as I know the maximum rates remain their charging rates. I know nothing about that since March, 1882. I placed my resignation in the hands of the governor December, 1881, and remained in office until the March following.

#### EFFECT OF LEGISLATION ON RATES.

Senator HARRIS. You say you do not know that the legislation and action of the commission caused this reduction in charges and rates?

Mr. BOGUE. Not alone; no, sir. I think it did not.

Senator HARRIS. Was it due to that to any considerable extent?

Mr. BOGUE. Yes; they undoubtedly helped to bring it about. But the development of the State, the building of large towns in the interior of the State, the opening of new markets east, and the new roads passing through the State east and west, all helped to bring about this reduction of rates which had taken place before the schedule of the commission went into effect, December 1, 1881.

Senator PLATT. You have some roads which have 300, 400, or 500 miles of track, I suppose, in the State. Now, what is the basis of that schedule? Is it for the entire distance, or for a specified number of miles?

#### RATE-MAKING.

Mr. BOGUE. The law of Illinois provides that you must commence at the point where you start in to make your rates, and you must keep on going as long as you have a line of road, making the rate more and more as you proceed in distance. The first commission adopted 1 mile as the unit. When we revised the schedule we adopted up to 150 miles, a 5-mile unit. After we passed 150 miles we made a 10-mile unit, and then, when we got up to over 200 miles, we adopted a 20-mile unit.

Senator PLATT. It is not a rate per mile, then, but it is a rate which increases according to distance in a certain fixed scale or ratio?

Mr. BOGUE. Yes, sir.

The CHAIRMAN. As a matter of fact, did not the commission have considerable trouble in securing the recognition and adoption of these schedules by the railroads?

Mr. BOGUE. The contest was mainly in the fixing of the schedule. The roads all manifested perfect willingness to come in and abide by the law, but they did not want to be unreasonably dealt with in the fixing of the schedule and the revising of the classification, which the Illinois law makes it incumbent upon the railroad commissioners to do.

The CHAIRMAN. So that the struggle between the commission and

the railroads was mainly while you were considering the schedule of rates?

Mr. BOGUE. While we were agreeing upon our schedule of maximum rates.

#### CLASSIFICATION OF FREIGHTS.

Senator PLATT. How many different classes of freight did you make?

Mr. BOGUE. I would not be certain, but I think there were five classes of freight.

Senator PLATT. On what theory is freight classified? Can you give us a general idea as to why freight is divided into five classes, each of which pays different rates?

Mr. BOGUE. I cannot do that. I would not assume to undertake to explain the theory; in fact I do not know it. The elements of consideration which will naturally occur to one's mind in regard to that are the value of the article to be transported, the bulkiness of the article, and such considerations as that.

Senator PLATT. After all, in all classifications of freights is there not a good deal of arbitrary power exercised, or are they classified according to well-established rules which have valid foundation?

Mr. BOGUE. I think they are established by pretty well established rules, which are based on good foundation.

There is this to be said, that there is constant change occurring in the classification of freight; and it is always downward. It always has a downward tendency in favor of the people instead of the roads. The western roads have a classification committee, which meets every month. All requests for a change in classification are sent to that committee, and those requests are considered by the representatives of the different roads (which are always represented by the general freight agents or traffic managers of the roads), who pass upon the changes. I speak simply from observation. I think there is hardly a meeting of that classification committee but that some changes occur. I do not know but that it is quarterly instead of monthly that that committee meets.

Senator PLATT. That is a committee of the associated roads?

Mr. BOGUE. That is a committee of the representatives of the freight departments of the roads in the West, taking in the roads from Chicago and going west to the Pacific coast.

#### CONDITION OF RAILROAD BUSINESS IN ILLINOIS.

The CHAIRMAN. What has been the condition of the roads in Illinois since you became commissioner? Have you any data from which you could give us any information?

Mr. BOGUE. As to their earnings?

The CHAIRMAN. Yes.

Mr. BOGUE. The first year that I acted as a commissioner was for the year ending June 30, 1877. That date ends the commissioners' fiscal year.

The gross earnings of the roads in Illinois (that is, on business in the State of Illinois), that year was \$39,000,000, and the operating expenses that year were \$24,000,000; leaving a net income on the business in the State of Illinois, of \$15,000,000.

The gross earnings of the roads in the State of Illinois on the Illinois business for the year ending June 30, 1884, was \$56,000,000, and their operating expenses were \$36,000,000, leaving a net income of \$19,000,000,

Senator HARRIS. Was there a large increase of mileage within that period?

Mr. BOGUE. One thousand seven hundred and eight miles. The total railroad mileage of the State of Illinois, on June 30, 1877, was 7,433 miles; and on June 30, 1884, was 9,141 miles.

Senator HARRIS. Does the increase in gross earnings bear about the same percentage to the former earnings that the increase of the mileage bears to the former mileage?

Mr. BOGUE. No, sir; there is a very great reduction.

Senator HARRIS. The earnings were less per mile in 1884 than at the former period?

Mr. BOGUE. Very much less than before. Yes, sir.

Senator PLATT. But the operating expenses are about in the same ratio?

Mr. BOGUE. Yes, sir.

Senator HARRIS. Was there an increase or decrease of tonnage within the period you speak of?

Mr. BOGUE. There was a greatly increased tonnage.

Senator HARRIS. But a decrease of receipts?

Mr. BOGUE. A decrease of receipts per mile.

The CHAIRMAN. Showing a reduction in rates?

Mr. BOGUE. A very decided reduction in rates.

The CHAIRMAN. What is the fact, if you can say, as to the comparative rates on freights in Illinois and other States?

Mr. BOGUE. I know nothing about it now, but I had occasion to look into it at the time the commissioners revised their schedule in 1881. The rates in Illinois on cereals and on cattle and hogs were considerably less than they were in the adjoining States. I do not remember the percentage, it was quite considerably less. That would be natural, however.

Take the State of Wisconsin, for instance. The course of their freight is all in one direction. They have a few main lines, and the course of their freight is all toward two points—Chicago and Milwaukee. But take the transportation in the State of Illinois; it is toward Chicago, as a great market and as the head of lake navigation; and it is toward Saint Louis, which is another great market, and which is the head of deep-water navigation in the Mississippi River; and to Cairo, and across the State to Toledo and Buffalo, and to Cincinnati; and the opening of roads going into the Southern States, which carry in the winter a very large amount of cereals and packing-house products.

The CHAIRMAN. As a matter of fact, a large amount of our grain products especially goes across the State to Baltimore, does it not?

Mr. BOGUE. A very large amount.

#### MODIFICATION OF POPULAR SENTIMENT.

Senator PLATT. I assume that in about 1870 there was quite a popular sentiment here with reference to the railroads, and it was not entirely friendly to the railroad managements which were then in control.

Mr. BOGUE. It was entirely antagonistic to the railroad interest of the State.

Senator PLATT. What is the present feeling?

Mr. BOGUE. There may be an element of antagonistic feeling to the railroads, but I think it is confined to localities and to but a few individuals. As a whole, I think there is a fair, reasonable feeling toward the railroads. The railroads are living entirely under the law; they are obeying the laws of the State.

Senator PLATT. The execution of the law, then, you think, has resulted in a modification of popular sentiment?

Mr. BOGUE. Yes, sir; the adjudication of the question has brought about that condition of affairs which, I presume, the roads are willing to accept and acquiesce in whatever the State assumes to do.

The CHAIRMAN. The roads resisted the enforcement of the law until the law had been adjudicated upon and affirmed by the highest courts in the country.

Mr. BOGUE. Yes, sir; I think that on that question which Senator Platt has asked and which you have followed, I should say that as to any legislation at the present time the legislature ought to recognize the changed condition and attitude of the railroads toward the question of control. The Illinois law is probably the most stringent law that exists on the question of regulation of railroad corporations. It would be a great deal better for the people if that law were modified and changed to-day, and it would effect better results to the people than it does in its present shape. If the Illinois law were carried out literally I do not see how manufacturing industries could thrive in the State of Illinois as against like industries in other States.

The CHAIRMAN. Let us know what is the reason of that.

Mr. BOGUE. It is this, that the industries of other States reach the markets—the towns and cities in the State of Illinois—on a less rate than the commissioners can possibly make under the provisions of the law. It requires them to make rates for a longer distance. There is no discretion to be exercised under the Illinois law. Its provisions are all mandatory; and were it not that the railroads of the State make it possible for the industries located throughout this State to compete with like industries in other States, by granting them rates far below any rate which the Illinois commission would think of making as a maximum, I do not believe that the thriving manufacturing centers could be maintained any length of time. The interest involved in this question was so vital that the commissioners have closed their eyes to the fact that technically it was a violation of the provisions of the law in allowing the roads to make low rates to the manufacturing industries of this State, and so the matter has been allowed to drift.

#### THE SHORT HAUL.

Senator PLATT. Have you what is called the "short-haul law" here?

Mr. BOGUE. We have no short-haul law. The Illinois law does not recognize the principle of short hauls.

Senator PLATT. The Illinois law makes it impossible for a railroad to charge a greater sum for a short haul than a long haul?

Mr. BOGUE. In short, the Illinois law is this, "You must not charge the same, or less, for the greater distance;" and to cap the climax, it provides that "it shall not be deemed a sufficient excuse or justification of such discrimination on the part of such railroad corporation that the railway station or point at which it shall charge, collect, or receive the same or less rates of toll or compensation for the transportation of such passenger or freight, or for the use and transportation of such railroad car, the greater distance than for the shorter distance, is a railway station at which there exists competition with any other railroad or means of transportation." This is the substance of the law, after eliminating a large amount of legal phraseology.

Senator PLATT. And your schedules recognize the principle that for a longer distance a greater rate must be charged?



Mr. BOGUE. Yes, sir; I would say, however, that the commission of which I was a member when we revised the schedule did make an advance in the schedule rates for short distances over the schedule which was established in 1873, while our reduction from that schedule, as a whole, was very considerable. We overcame the difficulty largely by the use of the 5-mile unit instead of the 1-mile unit.

The CHAIRMAN. Were you living up to the letter of the law while you were doing this?

Mr. BOGUE. I think so; yes, sir. It never was questioned.

#### A NATIONAL COMMISSION.

The CHAIRMAN. This committee is here investigating the question of interstate commerce, and is trying to determine what kind of law should be passed by Congress to regulate commerce among the States. Can you give us any information upon that subject?

Mr. BOGUE. As far I have been able to form any opinion based upon my observation I do not believe that it would be wisdom upon the part of Congress to fix rates either by enactment or through a commission. I do not see how it would be possible to accomplish that, or when it might be done, having regard to the best interests of the country.

Senator HARRIS. Do you think it would be safe to authorize a Federal commission to revise rates fixed by the companies themselves?

Mr. BOGUE. It might be safe; but I do not see the necessity of it. I think that the conditions of competition are such that there are not extortionate rates in this country to-day. I do not believe there can be.

Senator HARRIS. How is it between non-competing points?

Mr. BOGUE. I do not believe that there are extortionate rates at the non-competing points.

Senator HARRIS. Then, you think extortionate rates are charged nowhere at present?

Mr. BOGUE. I do not believe they are to any extent; no, sir. If the Government were to provide for a commission, the commission could do good as an advisory body, acting in the capacity of arbitrators, and for the collection of statistics and information.

Senator HARRIS. If you were to have an advisory commission in Illinois instead of a commission clothed with the powers and governed by the law which you have had, would the same reductions in freight and passenger rates have taken place?

Mr. BOGUE. I do not believe it would at the time our law was passed. The mandatory law has served its purpose, and the attitude of the railroads on these questions has changed.

Senator HARRIS. You think there is now no purpose to be served by a similar Federal law regulating it?

Mr. BOGUE. No, sir; I do not. I think that the conditions of competition, the opening of new markets in so many different parts of the country and the making of sea-port towns by the different systems of roads have cured that.

Senator HARRIS. On the whole, you think the community of Illinois and the business interests of the State have been benefited by your legislation in the direction of regulating the railroads?

Mr. BOGUE. I do.

Senator HARRIS. The result has been beneficial?

Mr. BOGUE. Yes, sir.

The CHAIRMAN. Do you believe or not that there ought to be any

legislation by Congress looking to the regulation of commerce between the States under the provision of the Constitution authorizing it?

Mr. BOGUE. I do not believe that the interests of the people will be served by the establishment of a commission or the regulation of transportation rates by the Government.

The CHAIRMAN. So that you do not believe that any act ought to be passed at all. Is that the idea?

Mr. BOGUE. In the effort to regulate rates, I do not.

The CHAIRMAN. If any act at all is passed it would seem that it ought to look to the regulation of commerce among the States; and if it cannot have anything to do with the question of transportation, it is very difficult to see what use there would be for an act.

Mr. BOGUE. I think this fact should be recognized, that the enormous growth of the railroads is, comparatively speaking, something of recent date. Its rapid development has precipitated new questions which have got to be studied as other questions have been; and I do not believe they are to be solved by legislative enactment. A commission appointed with power to investigate and report to Congress in that line could be of great service. There is much to be determined before Congress or a commission appointed under an act of Congress can assume to make freight rates.

Senator HARRIS. You think the commission should investigate and report upon any existing evils before Congress should legislate decisively in respect to the question.

Mr. BOGUE. I do; they should report on the whole question.

The CHAIRMAN. Suppose that were so, what would it amount to? Suppose Congress provides for a commission, and that commission has no power to do anything except to investigate and report to Congress. If there are any evils existing in the country they will go on until some power cures them, and that simple report to Congress would not have much of a tendency to do that, would it?

Mr. BOGUE. Whatever abuses the commission would find would be reported to Congress, and then Congress could act if necessary.

The CHAIRMAN. Do you think it would be unsafe to the country (if in your judgment a commission ought to be appointed at all) to give that commission not the power to fix rates, say, but the power to investigate—just as the Illinois commission did, for instance, when you came into office—and to settle difficulties between shippers and railroads?

Mr. BOGUE. I think that would be a positive good and would serve the public.

The CHAIRMAN. But you do not believe that they ought to have absolute power to fix rates?

Mr. BOGUE. No, sir.

The CHAIRMAN. Or that Congress ought to fix them?

Mr. BOGUE. No, sir; I do not think that the conditions as they exist to-day make it necessary.

The CHAIRMAN. Do you believe there would be any danger to the business interests of the country, railroads or others, if that commission had power to look over or supervise rates that had already been fixed by the transportation companies?

Mr. BOGUE. I do not know that there would be any danger to come from a commission with that authority. I think the Illinois law to-day would serve every purpose if it simply provided that the railroad commissioners of this State had power to prevent extortion and unjust discrimination. Let them investigate the conditions and complaints that come before them, and let them decide.

The CHAIRMAN. Without this provision of law requiring them to fix rates?

Mr. BOGUE. Yes, sir.

The CHAIRMAN. Or making the rates *prima facie* evidence in court?

Mr. BOGUE. Precisely. Understand me, I do not mean to say that that would have done at the time this law was framed. The law has served its purpose. The conditions are all changed now from what they were when this law went into effect. Why not recognize the fact that the conditions have changed, and legislate accordingly?

The CHAIRMAN. Do you think the existence of that law on the statute-book does any harm?

Mr. BOGUE. I do not know that it does any harm, but I think it would be better to recognize the fact that greater good could be accomplished if the law creating the board of railroad commissioners in the State of Illinois were modeled more after the Massachusetts and the Iowa law.

The CHAIRMAN. We would get better results, you think?

Mr. BOGUE. Yes, sir; get better results.

Senator HARRIS. If I understand you, the railroads in Illinois resisted, step by step, every effort upon the part of the commission of this State to execute the law until the questions were all finally judicially determined and the law of the case settled.

Mr. BOGUE. They did, until it was settled by the supreme court of this State. Then they acquiesced. They carried some of the cases, however, to the Supreme Court of the United States at Washington, but they acquiesced to the extent of obeying the schedules.

Senator HARRIS. They acquiesced, as all other people do, when there is a final judgment against them that they cannot avoid acquiescing in.

Mr. BOGUE. Yes, sir.

Senator HARRIS. Do you think that the human nature that is in the railroad corporations has changed materially since the period at which this resistance had occurred?

Mr. BOGUE. I think the human nature in the railroad corporations is just about the same as you find it in the individual.

Senator HARRIS. If there be evils in interstate commerce, is there not as strong a reason to-day for dealing with them, and regulating them, as there was in 1871, when Illinois passed her act to regulate State commerce?

Mr. BOGUE. The question to be arrived at is solely whether the evil exists.

#### POOLING.

The CHAIRMAN. You have been connected with the railroad interests of this State. What is your judgment upon the question of the prohibition of pools?

Mr. BOGUE. I do not sympathize with the idea that the pools are antagonistic to the interests of the people. My connection with them, I might say, Senator, is this: I am arbitrator of three of the pools which have their headquarters in Chicago, and have simply to do with the adjustment of all differences which may arise between the lines comprised in the several pools.

The CHAIRMAN. Lest we may not get Mr. Midgley before us, if you are familiar with the pool system of this State and of the West, we would be glad if you would give the committee whatever information you may be able to give on the subject.

Mr. BOGUE. I presume the committee understands the nature of the pool.

The CHAIRMAN. We have had it explained to us somewhat, but we should like to have your statement on the pools of the West.

Mr. BOGUE. My understanding of the subject can be briefly stated: the managers of the railroads reaching certain common points come together, and agree that the competitive business shall be regulated by the roads through an association, the primary object being to make and maintain reasonable rates of transportation, which shall do away with all unreasonable competition between the roads covering the business embraced in the pool, and to equitably distribute among the several lines parties to the pool the revenue resulting from the tonnage covered by the agreement.

Senator HARRIS. The primary object being to maintain rates?

Mr. BOGUE. To maintain fair and reasonable rates; yes, sir. That is the primary object.

#### DUTIES OF POOL COMMISSIONER.

The CHAIRMAN. In the operation of the pool system here, is there very much distribution of the freight by the pool commissioner; that is to say, is the freight diverted from its natural channels—the channels it would follow if let alone?

Mr. BOGUE. Not to any extent.

The CHAIRMAN. I believe that, as a matter of fact, the pool commissioner exercises a kind of arbitrary power to send freight so as to equalize it somewhat on the different roads making part of the pool system.

Mr. BOGUE. The intention of the pool agreement is that the commissioner shall divert freight from one road to another in order to equalize the tonnage as near as may be, according to the percentages which have been awarded to the roads parties to the agreement.

The CHAIRMAN. It is to avoid having to pay very much money to the roads when they come to settle.

Mr. BOGUE. To equalize by tonnage instead of settling by a money payment.

The CHAIRMAN. As a matter of fact, does the pool commissioner exercise an arbitrary power in sending freight over different lines without reference to the wish of the owner of the property or the consignors?

Mr. BOGUE. Not to any considerable extent. Where people object it is not done—the power is not exercised. There are classes of freight which, in the working of the pool system, can be sent by one road as easily as by another, and in unconsigned freight power given the commissioner is exercised as far as he thinks it best; but in all consigned freight no attempt at diversion is ever made.

#### SHIPPERS' RIGHTS TO SELECT ROUTE.

The CHAIRMAN. What do you think about the question of giving the right to the shipper to send his freight on whatever line he chooses?

Mr. BOGUE. I think that at all initial points, at the points originating freight, the shipper should have the unqualified right to say which way he wants his freight to go.

Senator HARRIS. Should that right extend throughout the whole distance, from the point of shipment to the point of destination?

Mr. BOGUE. If the shipper wants to exercise that right, I do not see

why he should be deprived of it. Shippers have now, and should always have, the right of selecting the initial road or line via which shipments may be made, but should have no right or control over the route by which the shipment shall be transported, except as may be agreed between shipper and the initial road at the time the shipment is made and such route specified on the receipt or bill of lading. Nor should it be obligatory upon the railway receiving the property, without special agreement as to the route, to transport the same over its own road, or any particular connection.

When freight is being transported, and it has reached a point, for instance, we will say, for illustration, Kansas City, freight is coming from the west, through Kansas City, to Chicago. There are four roads over which the freight can be brought to Chicago; they all make the same time, are equally responsible in case of damage, their terminal facilities in both places are substantially the same, and if, in the working of the pool, it becomes for the best interest of the associated lines to have that freight come, a part of it by one road and a part of it by another, I do not see where there is any damage to the individual in having that freight so distributed.

#### DISCRIMINATION BETWEEN LOCALITIES.

The CHAIRMAN. There have been some suggestions here that there has been discrimination between localities, as between Kansas City, for instance, and perhaps some other points, and Chicago. What do you know about that?

Mr. BOGUE. Of course, I am not thoroughly familiar with the details of the pools. As I said before, my duties are confined to the adjustment of differences which may arise between the lines parties to the agreement. But the discrimination that is complained of mainly occurs during the winter season, when there is a concentration of freight at Saint Louis, to go down the river or to pass over lines which go directly east from that point. The discrimination that is mostly complained of arises from the fact that the lines east of the Mississippi River, in connection with the trunk lines, are willing to do business at less than cost, while the roads west of here do not care to participate in any such practice. The great cause of the complaint last winter arose, I think, largely from the fact that the Chesapeake and Ohio Railroad wanted to demonstrate its ability to carry freight to the seaboard at its new terminal, Newport News. It carried large amounts of freight at less than cost, and the roads north of that line did not choose to follow the cut in the rates, consequently the freight went that way instead of coming to Chicago and going East from here.

The CHAIRMAN. That road that was trying to demonstrate its power was not in the pool here?

Mr. BOGUE. The pools that have their headquarters in Chicago, of which I am speaking, are confined to roads west of Chicago. They have nothing to do with the traffic east of Chicago. It is Chicago and Saint Louis and the Mississippi River traffic.

The CHAIRMAN. Chicago and Saint Louis?

Mr. BOGUE. Chicago and Saint Louis and Mississippi River points covered by the pool agreement.

The CHAIRMAN. Are they in the Chicago pool?

Mr. BOGUE. What is known as the Southwestern Railway Association takes in Chicago, Saint Louis, and junction points between here and the Mississippi River points to the Southwestern Missouri River

towns, known as Kansas City, Saint Joseph, Leavenworth, and Atchison.

The CHAIRMAN. And Omaha?

Mr. BOGUE. Omaha is in another pool.

#### CHICAGO POOLS.

Senator PLATT. How many pools are there that have headquarters in Chicago?

Mr. BOGUE. There are some six or seven.

The CHAIRMAN. Where is the headquarters of the Omaha pool?

Mr. BOGUE. In Chicago.

Senator PLATT. Please give the names of these pools, and the territory which they cover.

#### THE SOUTHWESTERN RAILWAY ASSOCIATION.

Mr. BOGUE. The Southwestern Railway Association covers the competitive business between Chicago, Saint Louis and the Mississippi River points tributary thereto, and the Southwest Missouri River towns known as Kansas City, Saint Joseph, Atchison, and Leavenworth.

Senator PLATT. That is the Southwestern pool?

Mr. BOGUE. Yes, sir; and that association was one of the first pools in the West, and it is a solid, substantial pool.

Senator PLATT. Who is the commissioner of that pool?

Mr. BOGUE. Mr. J. W. Midgley.

#### THE COLORADO-UTAH POOL.

The Colorado-Utah Association includes all freight traffic, except lumber and live-stock, eastward bound, carried over any portion of the roads parties to the agreement, passing to, through, or from any point on the Mississippi River, from Minneapolis, Minn., to Cairo, Ill., inclusive; and to, through, or from any point in the State of Colorado and Territory of Utah, and points on the Denver and Rio Grande Railway.

#### THE PACIFIC COAST ASSOCIATION.

The Pacific Coast Association includes all freight traffic carried over any portion of the roads parties to the agreement, passing to, through, or from any point on the Mississippi River, from Minneapolis, Minnesota Transfer and Saint Paul, Minn., to Cairo, Ill., inclusive; and to, through, or from any point in the States of California, Nevada, and Oregon.

#### THE NORTHWESTERN TRAFFIC ASSOCIATION.

The Northwestern Traffic Association covers all freight traffic to, through, or from Saint Paul, Minneapolis, or Minnesota Transfer, to and from Chicago, Milwaukee, and all junction points, Saint Louis and Mississippi River points.

#### THE CENTRAL IOWA TRAFFIC ASSOCIATION.

The Central Iowa Traffic Association embraces all business between Chicago, Milwaukee, and junction points, Saint Louis and Mississippi River points, and points in Central Iowa.

## THE WESTERN FREIGHT ASSOCIATION.

The last pool formed is known as "The Western Freight Association," which covers the business between Chicago, Milwaukee, junction points, Saint Louis and Mississippi River points, passing to, through, and from Omaha and Council Bluffs. It covers all the business, the gateways of which are known as Council Bluffs and Omaha. Mr. J. N. Faithorn is the commissioner of that pool.

The pools which I speak of, excepting the Northwestern Traffic Association, which is confined to Saint Paul, Minneapolis, and Minnesota Transfer, cover business simply as between Chicago and Saint Louis and junction points and points on the Missouri River, and Saint Louis and junction points, and competitive points on the Missouri River.

## THE SAINT LOUIS POOL.

There is also the Chicago and Saint Louis Pool, which is a small association, and covers the competitive business between Chicago and Saint Louis.

The CHAIRMAN. That makes the list?

Mr. BOGUE. Yes, sir; that completes the list.

Senator PLATT. Are the rates of all these pools pretty well maintained?

Mr. BOGUE. Yes, sir; pretty well maintained.

## FIXING OF POOL RATES.

Senator PLATT. Who fixes the pool rates?

Mr. BOGUE. That is done by the representatives of the roads coming together in an association and agreeing upon the rates. The commissioner has no authority to fix those rates, only as he is empowered temporarily to meet competition which may spring up in the mean time.

Senator PLATT. Do you think the rates are reasonably fair?

Mr. BOGUE. Yes, sir.

Senator PLATT. What guarantee or safeguard is there for the people, that the rates will be kept fair and reasonable, if fixed by the roads alone? It is a time of depression now, and of struggle between railroads for business; but suppose we have good times, as we hope we shall have, what is there to prevent the rates being raised until they become unreasonable?

Mr. BOGUE. There is nothing to prevent it, except the interests of the railroads themselves. That is the best answer I think I can give. We find that those pools have existed during better times, and the rates have not been extortionate at any time during the life of these pools.

## INTERESTS OF RAILROADS AND PEOPLE IDENTICAL.

Senator PLATT. I suppose you are a firm believer in the doctrine that what is best for the railroads is, on the whole, what is best for the people, and that what is best for the people is best for the railroads; in other words, that the interests of the railroads and of their patrons are one and mutual?

Mr. BOGUE. From my own experience in my service on the railroad commission in the State of Illinois, and my observation of the working of the pools, I cannot but believe that the interests of the railroads and the people are quite identical; that if the railroads prosper the people

prosper; if the people prosper the railroads prosper. I do not believe that it is possible for a railroad to profitably run through a hostile country. It must seek to serve the interests of its patrons, and I think that is the policy now pursued by the railroads. I do not wish to be understood as excusing in any shape or manner the attitude of the railroads in the old days, which brought about and made necessary the legislation which we have, and the results of that legislation which we have passed through; but I think there is a changed condition of affairs today in comparison with the condition which obtained at that time.

Senator PLATT. You think, then, that the railroads have come to understand that their best policy is to serve the people satisfactorily?

Mr. BOGUE. I do, most emphatically, think so.

Senator PLATT. That if there are occasions where they do not do so, those are the exceptions rather than the rule of railroad management?

Mr. BOGUE. Yes; I think that the experience of the railroad commissioners in the West will lead to this one answer: That in nearly all the cases where complaints have been made and evils have been brought to the attention of the general managers they have been corrected.

Senator PLATT. That result has largely followed because there has been a body to which complaints could be made; and that body has investigated and determined what was right, and the railroads have acquiesced in the decisions probably for two reasons—because they thought it might be to their interests to do so; and again, because they did not want to face public sentiment on that question.

Mr. BOGUE. Largely, because it was their interest to do so; and for the further reason, as before stated by me, the railroads desire to live in perfect harmony with the authorities of the State and with their patrons.

Senator PLATT. But that does not reach interstate commerce. Do you think we can safely leave interstate commerce alone, or is it necessary, under existing conditions, that some such body should be created with reference to interstate commerce?

#### DUTIES OF A NATIONAL COMMISSION.

Mr. BOGUE. I think that if a commission were instituted with advisory or arbitral duties conferred upon it, similar to those conferred by the Massachusetts law and the advisory feature of the Iowa law, good could be accomplished. By the hearing of complaints, and the treating of those complaints as between the individuals or communities and the railroads themselves, I think a vastly greater amount of good could be accomplished with a board clothed with such authority than could be accomplished by a board clothed with authority to fix rates.

#### PUBLICITY OF RATES.

Senator PLATT. Do you think the effect of publicity as to the doings of railroads would be better than any specific legislation?

Mr. BOGUE. Yes, sir.

The CHAIRMAN. Do you believe that a provision of law requiring publicity of rates would be objectionable?

Mr. BOGUE. I think that the railroads, when their tariff of rates is fixed, should post them publicly in the stations and about every building where freight is received or delivered.

The CHAIRMAN. Have you any doubt as to the propriety of requiring



notice to be given before changing them, say five, ten, fifteen or twenty days, or some given length of time?

Mr. BOGUE. That is a matter of opinion. I do not know that there would be any harm to the country or any great good. It would be well enough.

#### DISCRIMINATION AS BETWEEN INDIVIDUALS.

Senator PLATT. Does your experience as an arbitrator for the pools enable you to say whether there is a feeling among shippers that there is discrimination as between individuals?

Mr. BOGUE. I think there are instances where they think that there is discrimination as between individuals.

Senator PLATT. Those complaints do not come to you, as I understand you.

Mr. BOGUE. They do not come to me; no, sir.

Senator PLATT. The complaints that come to you are the complaints which the railroads make as between themselves?

Mr. BOGUE. As between themselves. If they fail to agree on the percentage of business between the lines in those pools, that comes to me for settlement, or any contest in the pool itself. Any difference of opinion arising comes to me for settlement.

The CHAIRMAN. By virtue of the position you have occupied here as arbitrator, you probably know something about the condition of affairs farther west than Denver, for instance. Do you know whether the rates are very much higher out there than they are in this section?

Mr. BOGUE. I do not know positively. I simply have an impression. I think the rates are higher there than here. But I do not know enough about them to answer.

The CHAIRMAN. Do you know enough about the condition of affairs to know whether the transportation companies and the people are getting along with as little friction as we have in this part of the country?

Mr. BOGUE. I do not know.

The CHAIRMAN. I am asking these questions more for the sake of determining whether it is the duty of the committee to go out there than otherwise.

#### DRAWBACKS AND REBATES.

What do you think about a provision of law prohibiting the payment of drawbacks and rebates by transportation companies?

Mr. BOGUE. I am of the impression that it would be a benefit, both to the public and to the railroads, if rebates and drawbacks were done away with.

The CHAIRMAN. You think they accomplish no good?

Mr. BOGUE. They accomplish no good. I do not think there is any instance in which they do good. I would make the rates as open as possible. That which the people most desire is stable rates. It is not so much a question of whether it is a high or low rate, but that the rates be even, and that there be stability to them. That is wherein I think the pools are helping the business public, rather than being a harm.

The CHAIRMAN. You mean by even that they shall be all alike, as well as stable?

Mr. BOGUE. All alike, equal and exact rates.

The CHAIRMAN. No discrimination between persons or places?

Mr. BOGUE. No, sir.

## THE LONG AND SHORT HAUL.

The CHAIRMAN. There has been a great deal said on the question of the long and short haul in this part of the country as well as in the East. What do you think about a provision of law that would prohibit the charging more for a short haul than for a long one?

Mr. BOGUE. I do not believe it would be wise. The question to be settled I can best illustrate by relating an incident that occurred while I was on the Illinois commission. We had a number of complaints brought to the Illinois commission from Paxton, Ford County, a station on the Illinois Central Railroad, 103 miles, I think, south of Chicago. The commission went there and held a meeting. The burden of the complaint was that the Illinois Central was unjustly discriminating against Paxton by having given to the people of Mattoon (which is some 70 miles farther south) a better rate on freight between Mattoon and Chicago than they had between Paxton and Chicago.

One man appeared before the commission and called attention to the dilapidated condition of the town of Paxton and instanced the fact that at a short time previously Paxton had been a thriving community; that brick stores had been erected, and a large amount of business had been done there, whereas now the buildings were unoccupied, and were going to ruin; and it was all on account of the discrimination practiced by the Illinois Central Railroad Company. He was heard through, and was asked how many railroads there were in Paxton at the time it enjoyed this great prosperity. There was but one railroad, he said; that was the Illinois Central Railroad. I asked him of how large a section Paxton was the trade-center. He said he guessed they must have supplied a section of territory for at least 15 or 20 miles around the town. I asked him how many railroads there were now. He said there was a cross-road for which they had voted aid. I asked him if there were any stations outside of Paxton; he said there were a great number closely surrounding the town. Now they were the trade-center of about 4 miles instead of the larger territory supplied by them before there were other railroads.

Their cause of complaint was against the Illinois Central Railroad, because it made a less rate, or wanted to make a less rate, from Mattoon, some 70 miles farther south. At Mattoon the Illinois Central was crossed by the Indianapolis and Saint Louis and another road. In order to get any of that trade to come to Chicago, the Illinois Central Company had to meet the rate for which the other roads were willing to take it East, towards tide-water. To my mind the only question at issue as between Paxton and Mattoon was, not whether Mattoon was getting a lower rate, but whether the rate that the Illinois Central Railroad Company was charging between Chicago and Paxton was an unreasonably high rate.

The CHAIRMAN. As a matter of fact was the Illinois Central Railroad Company carrying freight from Mattoon at less than cost?

Mr. BOGUE. No, it was not. It was carrying it at a nominal profit. There was freight there. Mattoon was a large station on the line of the Illinois Central road, and if their (the Mattoon) freight all went away from the Illinois Central its passenger business would follow, and would not come to Chicago. The interest of the Illinois Central was in having the people of Mattoon come to Chicago, buy their merchandise there, and have it shipped over its line. There would then be loads both ways. In order to do that it was willing to take the business between Mattoon and Chicago (which was considerable) at a nominal profit; but if in doing that it was obliged to reduce the rate on freight

along the entire length of its line to the basis of the profit for which it was willing to carry Mattoon freight, then it must have gone entirely out of business at Mattoon and other competitive stations.

For illustration take another instance—the business between Chicago and Saint Louis. We have, as you know, Mr. Chairman, quite often what is known as “corners” in the Chicago market. Prices for corn and wheat are run up to a fictitious price—far above what the grain would bring at the sea-board markets. At such times there may be a large amount of corn in the elevators at East Saint Louis. The roads between Chicago and Saint Louis, if willing to move the grain at a nominal profit of, say, a dollar or two dollars a car, can haul it in train loads. They will not have to stop, except as the train stops for wood and water or to side-track, in order to meet trains passing in the other direction, and thereby bring their cars to Chicago ready for full loads on return trip; while otherwise the chances are that they would be obliged to haul many of their cars to Chicago as empties.

Now, is it any harm to the stations between Chicago and East Saint Louis, if the Chicago and Alton or the Illinois Central, the Wabash, or the Chicago, Burlington and Quincy, take that business at a nominal profit, which they are willing to do under such circumstances? Are the people at stations between Chicago and East Saint Louis unjustly discriminated against, by the roads taking that business? If they are, then the railroads must go out of competitive business and confine themselves to business which will pay them a fair return.

The CHAIRMAN. In what would that result, in the way of comparative charges, with reference to those localities where there is no competition?

Mr. BOGUE. The charges at the local stations would doubtless remain the same as they are now. I believe the local rates now in force on the roads in Illinois are acceptable, as I have not heard of any considerable complaint in Illinois at the non-competing stations.

The CHAIRMAN. If the roads were driven out of trade at competitive points, they would necessarily charge the more at the points that are left where they would do no business, would they not?

Mr. BOGUE. In the end, I think that would be the result; yes, sir.

#### COMPETITION AMONG SAINT LOUIS ROADS.

Senator PLATT. How many competing roads do you say there are to Saint Louis?

Mr. BOGUE. Between Chicago and Saint Louis there are four roads, viz: The Illinois Central, by its connection with the Vandalia line; the Chicago and Alton; the Wabash, Saint Louis and Pacific; and the Chicago, Burlington and Quincy as a freight road.

Senator PLATT. What is the difference in distance over which freight travels on those roads, between the shortest and the longest route?

Mr. BOGUE. The Illinois Central, the Wabash, and the Chicago and Alton are nearly the same distance, about 285 miles. I do not think that there is a difference between the shortest and longest of more than about 40 miles. The Chicago, Burlington and Quincy is the long line.

#### THE SHORT LINE MAKES THE RATE.

Senator PLATT. Are there not instances where roads are competing for freight, where there is a very decided difference in distance?

Mr. BOGUE. Yes, sir. There are points where roads are competing

where there is a very considerable difference in distance; the short line, however, being always accorded the right of making the rate.

Senator PLATT. If the short line makes a rate which is profitable, and not unreasonable as to the public, how do these long roads get any profit out of the business?

Mr. BOGUE. They do not get very much profit; they may possibly get a little. But the roads are there, their rails are down, and that is an element which cannot be ignored.

The CHAIRMAN. They have to run their cars there?

Mr. BOGUE. Yes, sir. And that is an element which must be considered in the discussion of the railroad question. There has been a vast amount of overproduction in railroad construction as well as in other lines of business. There has been the greatest possible amount of free trade in railroad building. Railroads have been constructed at a large cost, they have been laid to stay, the rails are not going to be taken up and the roads abandoned—at least, we have no instance of their being taken up—and the question resolves itself into this: How can the roads reaching the common or competitive points best protect themselves and serve the public in an equitable manner?

It seems to me that they can do it best by having the right to make among themselves these traffic agreements, which are known to the public as pool agreements.

#### COMPETITION BETWEEN LONG AND SHORT LINES.

Senator PLATT. It seems to me, when a road comes in and claims to be a competing road, when it, though having really no facilities to make it such, that by reason of this pool it is admitted to be a competing road; when otherwise, if it were not for that pool, it would be substantially shut out from competition. Is not that true?

Mr. BOGUE. In theory, yes, sir; but in practice, no, sir. The roads, however circuitous, as you have described, are there, and they have the ability to destroy the business for the other roads—render the business absolutely worthless. Now, by these pool arrangements, the strong roads allow them to come in and give them a small proportion of the business. They do not come into the pool arrangement on an equal basis at all. They are given a small percentage, based usually on the ability of such lines to secure, transport, and handle business.

Senator PLATT. If it were possible, would not a better result be obtained by confining the competition only to those roads which by natural location and by their facilities are fairly entitled to compete for the business, and not to let in these outsiders, that you say come in to destroy? If there be any way to keep them out, would it not be better for the whole business?

Mr. BOGUE. It would most assuredly be better, if such a thing could be done. But that seems impossible; these long lines are built, they are equipped, and are offering to take business; and, unless some friendly arrangement is made, will render the business worthless to the strong, solvent companies. You cannot close your eyes to it. If there were any way to prevent those long roads from competing, as you say, that would be a great step in solving this question.

This question is an important one, and has attracted the attention of the management of railways for years. Take the business between Chicago and the Mississippi River and tidewater. The Baltimore and Ohio Railroad sought to establish terminal facilities at Baltimore, and thereby turn the trade away from New York. Mr. Vanderbilt was

called upon by the New York Chamber of Commerce to make a rate, or to use his great system of railroads so as to prevent business going to Baltimore. The roads entered into a contest, which brought them very near bankruptcy, and the contest had to be abandoned. The difficulty is, as I have stated before, the roads are in existence, the rails are down, and the equipment is provided; and up to this time there has never been any suggestion as to how you can confine competition.

Senator PLATT. Suppose a line of roads running from the interior of Illinois, down through Memphis, and say off down through Atlanta, if that were possible, finally winding around up to Baltimore or Washington; and that line wanted to compete for eastern seaboard business; what would you say as to that?

Mr. BOGUE. Of course, in such a case the line would be ignored. Of the lines that come into the territory already covered by the strong lines all are not taken in. If there be a unity of action among the strong lines, which is made possible by the pool agreements, there are cases where they ignore certain elements of competition, and do it successfully. But they cannot do it except by agreement.

Senator PLATT. Did not the eastern pool take in the West Shore road?

Mr. BOGUE. No, sir. They never have allowed the West Shore to come into the trunk line pool, and that interesting problem is now being solved. The general belief is that the Vanderbilt interest concluded that they would bankrupt the West Shore, and the public are anxious spectators. As it stands to-day, it looks as though the West Shore was not only bankrupt, but that the splendid property of the Vanderbilt lines was also near bankruptcy.

The question arises whether the interests of the public are better served by such competition as is taking place to-day and has been going on now for more than a year past.

Senator PLATT. What is your opinion about that, taking the entire public?

Mr. BOGUE. Taking into consideration the entire public, I do not believe they are benefited by any such condition of affairs. On general principles it is admitted that if you destroy, absolutely waste property, somebody suffers a loss; and I think the principle is as true in railway matters as in any other business.

Senator PLATT. You think that if pooling is allowed the roads that are really entitled to be called competitive roads will look to it that roads which have no right to be called competitive are not admitted to the pooling system?

Mr. BOGUE. It cannot be carried so far as would be implied by your question, for the very reasons that I have before given in my answers on this subject; but it can be carried to a certain extent, or at least far enough to do away with the ruinous competition, by satisfactorily taking care of the line which you have described.

Senator PLATT. Is the Chesapeake and Ohio road in any Western pool?

Mr. BOGUE. No, sir.

Senator PLATT. Is it in any Eastern pool?

Mr. BOGUE. I am not positive; but I think that it is not.

Senator PLATT. But it has western connections and its eastern tide-water connection?

Mr. BOGUE. Yes, sir. It has established itself at Newport News, and during last winter it tried very hard to solve one of the questions which you propounded a minute ago; but the roads farther north concluded

that if the Chesapeake and Ohio wanted to demonstrate that it had a sea-port town, by taking business at less than cost—at a figure at which the other roads were not willing to take the business—it might do so; and they allowed it to continue in the business.

The CHAIRMAN. Are they still doing it?

Mr. BOGUE. I believe not, because owing to the opening of lake navigation and the competition between the eastern trunk lines caused by the West Shore contest freight can be secured about as low in one direction as in another, whether North or South.

Senator PLATT. Was there not a time when the other roads paid it the interest on its elevator at Newport News and sundry other demands, in money, to keep it from being a competitor?

Mr. BOGUE. I do not know whether that was so or not. I never heard that it was.

### A. C. BARTLETT'S STATEMENT.

Mr. A. C. BARTLETT, wholesale hardware dealer, of Chicago, appeared.

The CHAIRMAN. We will hear you now briefly. We will be compelled to hasten, and to say to those who come before us that we expect to close this investigation here this afternoon. We will have to ask gentlemen to talk to the point and as briefly as they can. Have you some point that you wish to present to the committee?

Mr. BARTLETT. No, sir; I have no point that I wish to present to the committee. I was simply invited here, as I understand, by the clerk of the committee to answer any questions that might be asked. I have no comprehensive plan.

### DISCRIMINATIONS BETWEEN LOCALITIES.

Senator PLATT. The merchants of Saint Paul, Burlington, Dubuque, Saint Joseph, Kansas City, and such points as those insist that as to Eastern shipments a discrimination is made against them in favor of Chicago. What do you think about that?

Mr. BARTLETT. We have always been of the opposite opinion here.

The CHAIRMAN. You think you are discriminated against?

Mr. BARTLETT. Yes, sir; that has been our impression here. We had that idea and formed a freight bureau to investigate the question.

### CHICAGO FREIGHT ASSOCIATION.

Senator PLATT. You have a freight association among shippers here?

Mr. BARTLETT. We have; yes, sir.

Senator PLATT. How many compose the association?

Mr. BARTLETT. I think there are about two hundred members. Two hundred wholesale merchants compose the association.

The CHAIRMAN. What was the necessity or occasion for creating that association?

Mr. BARTLETT. We had an idea that there were discriminations against us, and we thought that by a combination of this kind we could succeed perhaps in doing away with those discriminations. We thought that part of them were imaginary. We found that through a single agent or a commissioner bringing our grievance before the railroad com-

panies (where we had a real grievance) they were willing to do away with it and to right any wrong that we could show; as a rule, I mean.

Senator PLATT. Was there any necessity for that association, growing out of discrimination among the merchants?

Mr. BARTLETT. No, sir.

Senator PLATT. That did not enter into the formation of it?

Mr. BARTLETT. Not at all. It is not a combination to secure low rates to its members.

Senator PLATT. Or equal rates as between its members?

Mr. BARTLETT. No, sir; not at all. Each member attends to his own particular matters.

#### DISCRIMINATIONS.

The CHAIRMAN. Have you any complaints, or do you know of any wrongdoing on the part of the transportation companies that ought to be corrected?

Mr. BARTLETT. Discriminations—what we call unjust discriminations—come to our notice quite frequently. I could, perhaps, illustrate it. There is an unjust discrimination existing so far as the towns of New Mexico are concerned. I do not mean with reference to Chicago in this particular instance. But freight is being taken to El Paso and those points in New Mexico for 50 or 55 cents a hundred without classification.

The CHAIRMAN. From where?

Mr. BARTLETT. Chicago or Saint Louis. The freight rate from here to Las Vegas, this side of El Paso, some days' ride, is \$2.25 or \$3 per hundred. That is in New Mexico. I happened to know of this a short time since, when I came up from there. People are shipping their freight all the way to El Paso, and then pay 15 cents per ton per mile to get it back.

Senator PLATT. What is the occasion for that?

Mr. BARTLETT. They tell me down there it is done for a stock-jobbing operation; that a certain road puts freight into El Paso from these points at about the same rate as from the city of New York. I think their New York rate does not exceed the Chicago rate by more than 5 cents. The object of it, as I was told down there, is to reduce the value of the stock and buy the road. It is something I have not investigated, but that seems to be the general opinion there.

The CHAIRMAN. To buy the railroads?

Mr. BARTLETT. Yes, sir.

Senator PLATT. At a point, say, a day's ride (350 miles) this side of El Paso you pay \$2.25 per hundred, while to El Paso you pay 55 cents per hundred.

Mr. BARTLETT. Yes, sir; the regular rate from here to Las Vegas, as I remember it (I looked it up about the time I returned), is \$2.25 for fourth class, and it runs from that up to \$3 or \$3.10 for first class; and the rate from here for shipping over the same line to the city of El Paso would be 50 or 55 cents without classification.

Senator PLATT. That is a matter which comes purely within the definition of interstate commerce?

Mr. BARTLETT. Yes, sir; I think so.

Senator HARRIS. What do you think would be a fair rate from here to El Paso?

Mr. BARTLETT. My impression is that a fair rate from here to El Paso would probably be something like \$1.50, an average rate.

Senator HARRIS. What do you think would be a fair rate to Las Vegas?

Mr. BARTLETT. I do not know that the rate to Las Vegas is any too high. It is not a competitive point at all. Only one line can reach it, and freight is always taken at competitive points at lower rates than to local points. I do not think it too high, as long as it does not injure Las Vegas in any way. But with the present rates of freight there is, of course, so much discrimination between the roads that it is very injurious to the towns through New Mexico that come in competition with El Paso.

The CHAIRMAN. You spoke of discrimination between points down there, and you made a remark that it was a stock-jobbing operation to get possession of the road. What do you mean by that?

Mr. BARTLETT. I should not have said, perhaps, to get possession of the road. But I was told this by those people down in that vicinity, who think that perhaps they know something about railroad matters. I spent a day in El Paso, and I was told that a certain party in the East, who controls one line there through its officers, but does not own, perhaps, a majority of the stock, wanted to wreck the road, so as to buy it in very cheap.

The CHAIRMAN. How does he do it? Is it by discriminations between points?

Mr. BARTLETT. By making rates so very low that it is a dead loss to the road. I suppose they cannot afford to take freights from the city of New York to El Paso for less than \$6.50 a hundred, and they are doing it for 50 cents.

The CHAIRMAN. He is deliberately taking it at lower than its proper rate, so as to get possession of the road by purchase after wrecking it?

Mr. BARTLETT. Yes, sir.

Senator PLATT. This law of competition and the "survival of the fittest" is doing its perfect work in New Mexico, I should judge.

The CHAIRMAN. This man does not own another road in competition with it?

Mr. BARTLETT. He manages that road, so they tell me, through its officers; but at the same time he does not own the majority of the stock. That is the public opinion; but possibly there may be nothing in it. It has been kept up a long time; I know that.

Senator PLATT. I suppose Chicago merchants reach all points West and South, almost to the Pacific coast and to the southern extremity of the country?

Mr. BARTLETT. Yes, sir, we try to do so.

#### THE PEOPLE'S OPINION OF RAILROADS.

Senator PLATT. What do you think the sentiment of the people is in the extreme West and Southwest with reference to the management of railways as it affects the interests of the people?

Mr. BARTLETT. I think the general impression on the part of the people is that the railroads are public enemies. They always think that way, I judge, from what they say about it.

The CHAIRMAN. You mean down there?

Mr. BARTLETT. I mean everywhere. They always think that the rates of freight to their particular towns or to particular individuals is too high. They look upon corporations as soulless, of course. But, upon investigation, I think the majority of the people who really investigate it feel that there are no exorbitant rates charged for freight, or perhaps for passengers.



Senator PLATT. Is that sentiment, that the railroad is the enemy of the public, stronger in the extreme West and Southwest than it is here?

Mr. BARTLETT. I hardly think so. I have noticed this, that when a new railroad was being put through a Western State or Territory, where a man had been paying perhaps \$2 per hundred freight by team transportation, and the railroad came in and charged him \$1 or \$1.50, he thought it was exorbitant.

The CHAIRMAN. Have you ever heard any expression out West, or in any portion of the country where you have traveled and traded, as to what ought to be done with those railroads engaged in interstate commerce?

Mr. BARTLETT. I have not; no, sir.

The CHAIRMAN. You do not know what their views on that subject may be?

Mr. BARTLETT. No, sir.

The CHAIRMAN. You do not know whether or not they think any legislation ought to be had?

Mr. BARTLETT. No, sir.

Senator PLATT. What is your own impression about it? Do you think there should be any legislation, or that we should leave the railroads and the people to work out the problems themselves?

#### A NATIONAL COMMISSION.

Mr. BARTLETT. I am not in favor of a great amount of legislation; but it seems to me that perhaps the appointment of a commission, such as your list of questions outline, would have a very good effect. It would have, perhaps, to a certain extent, the same effect as our freight bureau here; or possibly a greater effect. By having a commission or a committee of arbitration with, perhaps, discretionary power, the people would learn that very many of what they consider unjust discriminations were visionary or imaginary. They would be brought in contact, perhaps, with the railroads, through a commission of this kind; and I think it would tend to satisfy the people with the condition of affairs with regard to railroads.

Senator PLATT. How long has your freight bureau been in operation?

Mr. BARTLETT. This is our second year. We have been in operation about two years.

Senator PLATT. You would not want to give it up?

Mr. BARTLETT. No, sir; under no circumstances.

The CHAIRMAN. Would you or not think it wise to give a commission very much absolute power?

Mr. BARTLETT. I cannot see how a commission could be of any great service unless it had considerable power.

The CHAIRMAN. The power to settle disputes or make their determinations *prima facie* evidence in court of what ought to be done?

Mr. BARTLETT. Yes, sir. It seems to me they should have something to say with reference to fixing rates, or of arbitrating so far as the rates are concerned; perhaps not the fixing of the rates directly.

The CHAIRMAN. It should have something to say whether they were right or not after they were fixed?

#### THE FIXING OF RATES.

Mr. BARTLETT. Yes, sir; it seems to me one of the greatest difficulties is to fix rates that shall be just to every one and perfectly satisfac-

tory. They cannot be made arbitrary. They must be made elastic, to a certain extent. Mr. Bogue, in what he had to say, I noticed, referred to the manufacturing here in this State. I call to mind the manufacturing done out here at Sterling and Rock Falls. For instance, the Northwestern and the Chicago, Burlington and Quincy are quite anxious to build up two manufacturing towns, one on each side of the river. The water-power is as fine as there is in this State. They are obliged, in order to build up a manufacturing town of any size there, to compete in their rates with Chicago, and their rates to-day to manufacturers from Sterling or Rock Falls are from Racine precisely the same as from Chicago to Racine. It is 110 miles from Sterling to Chicago, and 60 miles from here to Racine. The 110 miles haul is virtually made without cost to the shipper or the consignee. They deem it necessary to do that in order to build up the manufacturing interest at Sterling and Rock Falls. So that a rate per ton per mile, of course, could not be made for any such business as that.

#### REBATES.

The CHAIRMAN. In your dealing with transportation companies, as a representative of shippers and as a shipper yourself, what do you think of this habit of paying rebates in which the railroads have been engaged?

Mr. BARTLETT. You mean so far as a shipper or receiver is concerned?

The CHAIRMAN. Do you believe that the custom ought to be allowed at all?

Mr. BARTLETT. No, sir. I think that question, and the one which you asked here under No. 11, are perhaps pretty closely related. "Should any concessions in rates be allowed to large shippers, except such as represent the actual difference in the expense of handling large shipments over small shipments?" It seems to me that this system of rebates and drawbacks is pernicious. I know they never work apparently to the advantage of the shipper, and I do not think they do to the public or to the railroads themselves.

The CHAIRMAN. It results in unjust discrimination between persons, does it not?

Mr. BARTLETT. Yes, sir. But I think it is generally acknowledged that large shipments should receive at least a sufficiently lower rate to overcome the difference in the expense of handling. But that should not be put in the form of a rebate or drawback. So far as my experience goes it has taken more time and trouble to collect rebates from the railroad companies than they were worth.

#### THE UNIT OF FREIGHT.

The CHAIRMAN. What do you think the unit of freight should be?

Mr. BARTLETT. I think 100 pounds should be the unit.

The CHAIRMAN. And not a car-load?

Mr. BARTLETT. And not a car load; no, sir. I think 100 pounds should be the unit. Since the Eastern roads have established 100 pounds as the unit, it certainly has been very satisfactory to the shippers.

Senator PLATT. Do the merchants of Chicago ordinarily buy in car-load lots or in lesser lots?

Mr. BARTLETT. No, sir; it is not necessary at all, because our freight is brought to us without reference to its being in car-loads. We might

buy a thousand tons of goods, and we would not buy those goods at all with reference to their being shipped in car-loads.

Senator PLATT. The unit from the East to Chicago, then, is 100 pounds?

Mr. BARTLETT. Yes; and it is very satisfactory.

Senator PLATT. You think that is right?

Mr. BARTLETT. I do; yes, sir.

Senator HARRIS. Do you think the carrier should receive no higher compensation for a car-load made up of a hundred different consignments than for a car load of a single consignment?

Mr. BARTLETT. I do not know that I would say that. I would say as to the rate of freight given to large shipments, that the difference in expense would be accounted for there, possibly, in the shipment of car-loads. What I mean to say in answer to clause 11 is that if there should be a concession made to large shippers, this matter of car-loads would be included. That is, it would be a saving of expenses in the shipping of car-loads.

The CHAIRMAN. A good many persons who have been before us insist that a car-load should be the unit, and some insist that a person shipping ten car-loads, for instance, at the same time, should have a concession so as to make the shipment of each car at a less rate than to the one that ships only one car. What do you think about that?

Mr. BARTLETT. I do not think it should be put upon that ground at all. I should think there would be no limit to that. One hundred cars would require a still further concession, and a thousand a still greater concession.

The CHAIRMAN. You do not think there ought to be any difference?

Mr. BARTLETT. Except in the expense of securing the contract and handling the goods.

### C. M. WICKER'S STATEMENT.

C. M. WICKER, commissioner of the Chicago freight bureau, appeared.

The CHAIRMAN. You have been present here most of the time, I think.

Mr. WICKER. I have given considerable attention to the committee. You are aware that I have submitted to your committee an answer to your circular.

The CHAIRMAN. Mr. Wicker forwarded to me a statement which I handed back to him. I asked him to come before us, as I thought it would be of some interest to have his oral testimony, and the committee might want to ask him some questions, perhaps, in view of the position he occupies.

Mr. WICKER. In making my statement I start out with the idea that the producer's and consumer's best interests are served by fair, reasonable, and steady rates of compensation; that unstable and fluctuating rates are as much to be deplored as any other form of railway discrimination.

### A NATIONAL COMMISSION.

In answer to the first question, I think a commission should be formed, and that the work of that commission should be to provide for the public just and reasonable rates, and at the same time protect the railroads from being compelled by competition to accept for transportation a rate which is less than a paying rate.

The CHAIRMAN. You think it is just to protect both sides?

Mr. WICKER. I think it ought to protect the citizen who is a stockholder of a railroad that is capable of earning a compensation in a legitimate manner.

The CHAIRMAN. How is Government to get at that, in your judgment?

Mr. WICKER. It is going to do it through a commission, the members of which shall sit as judges and hear complaints and call upon the railroads to defend their rates and demonstrate the reasonableness and justness of those rates. If they fail to show that they are reasonable and just the commission should order a reduction, or, rather, find for the plaintiff. In this reply, without knowing, of course, the constitutional objections which I have heard raised here in the last day or two, I have suggested that the Government should appoint commissioners who should have the power of settling all dispute.

The CHAIRMAN. You think they should have the power of judges?

#### WITH JUDICIAL POWER.

Mr. WICKER. Of judges; to settle commercial matters between the railroads and the public. But if there is a constitutional objection to that I should be in favor of their being constituted a board of judges.

The CHAIRMAN. I suppose, under the Constitution, that Congress might provide for a set of judges; but they would have to be appointed for life.

Mr. WICKER. That would be preferable, I think.

The CHAIRMAN. Congress could probably limit their judicial functions to this particular line. Do you think that ought to be done?

Mr. WICKER. That ought to be done, rather than have a commission not vested with power.

The CHAIRMAN. Do you or not think a commission with power to investigate questions as to rates between shippers and transportation companies—their conclusions upon such questions being made *prima facie* evidence of correctness in a court of law—would tend to work out about the same result?

Mr. WICKER. It would, of course. But from the fact that their tenure of office would be limited, I am afraid they might at times cater too much, perhaps, to the railroad interest; or they might be afraid of the political effect of their action. For instance, I have a point in my mind. Only a few days ago a railroad commissioner assured me that the position taken by the Chicago freight bureau in relation to a certain matter was eminently just and proper, but that it would be political death to him to advocate that in his State. That was a private opinion, of course; and it was not in this State.

The CHAIRMAN. Because it was in favor of the transportation companies, or of the other side?

Mr. WICKER. It was a question between a jobber of Chicago and a jobber on the Missouri River who was distributing goods in a certain territory.

#### THE CHICAGO FREIGHT BUREAU.

The CHAIRMAN. Suppose you tell us exactly what your duties are, and the reason for creating this bureau which you represent. What do you call it?

Mr. WICKER. The Chicago freight bureau.

The CHAIRMAN. What does that bureau represent?

Mr. WICKER. It is an association of about two hundred and fifty Chicago merchants and manufacturers.

Senator PLATT. It does not include the grain jobbers?

Mr. WICKER. It does not include the grain or the live-stock or the lumber interests. I mean it does not include the grain interest or the provision interest as represented on the board of trade.

The CHAIRMAN. Why was that association organized?

Mr. WICKER. It was organized to help and protect the jobbing interest mainly—the jobbing and manufacturing interests—against what we considered the undue growth of the jobbing interest in towns west of Chicago.

#### DISCRIMINATIONS.

The CHAIRMAN. You thought they were getting ahead of you?

Mr. WICKER. Yes, sir; they were fostered by certain practices on the part of the railroads which we believed to be discriminations in favor of those western jobbers. I will illustrate this by reference to the classification on base-ball bats. I illustrate it by that because the difference is more apparent as to those than it is as to sugar and coffee. These bats, in lots less than car-loads, are second class; in car-loads, fifth class; a difference of 157 per cent. in favor of the party who ships these base-ball bats in car-loads. I will, for illustration, take a town like Cedar Rapids or Council Bluffs.

The CHAIRMAN. He would get a "corner" on bats.

Mr. WICKER. That is just it. A car-load would just about supply Cedar Rapids or Council Bluffs. One dealer would come in and get a car-load of base-ball bats shipped at 157 per cent. less than any other dealer in his town could receive them, or any other dealer in Chicago could ship the bats; and he would have a monopoly of that market as long as the cargo lasted.

If he could do it on base-ball bats he could do it on other articles. The western shippers would make it their business to become acquainted with the general freight agents of these roads, and by slow degrees they would get the classification into a form where there was a profit made out of the railroads by shipping car-loads over that made by the parties shipping less than car-loads. It was to undo what had been done in the last ten or twelve years in that direction (and to get it so that the Chicago merchant could ship to his customer in any part of the West as cheaply as the western shipper could by coming here and buying in car-loads, and redistributing) that this bureau was formed. In other words, to do away with discrimination between individuals.

The CHAIRMAN. That was the object of your organization?

Mr. WICKER. That was the main object of the association.

The CHAIRMAN. What have been the difficulties that you have encountered in dealing with transportation companies?

Mr. WICKER. We have been pretty successful in pointing out these discriminations, and they are doing away with them.

Senator PLATT. But they existed at the time of your organization?

Mr. WICKER. They existed at the time of our organization; yes, sir. They do exist now, to some extent, but they have been lessened. For instance, at the last meeting of the classification committee the western jobber insisted that the classification should remain as it was, giving him a profit out of his transporting in large quantities. I mean by large quantities, car-loads. The Chicago jobber, as represented by me, claimed that that difference should be wiped out. The result was a

closing up of the gap somewhat, and a recognition of the fact that they were doing the consumer and the shipper an injustice. But they do not, as a matter of expediency, feel like wiping out the entire difference all at once. For instance, the Iowa commission advocated that the classification should remain as it was then, and they should continue to recognize it. As it is, we recognize the wholesaler.

Senator PLATT. To what extent is the classification of freight uniform on your roads? For all this western business—of Chicago for instance—do the different roads have the same classification?

#### CLASSIFICATION WEST OF CHICAGO.

Mr. WICKER. There are only three classifications in use west of Chicago. There is the joint western classification, which takes in from Chicago, Saint Louis, and Milwaukee, west, all through Kansas, Colorado, Utah, Montana, and the intermediate territory. The Texas classification takes in the country south, Arkansas, and Southern Colorado. The transcontinental classification takes in the Pacific coast west of Utah.

Senator PLATT. Why should not the classification be uniform?

Mr. WICKER. In a measure they are getting to be nearer alike. In the early days of railroading each road had its own classification and as the competing points grew in number they had to get together and harmonize their different individual classifications, and it has grown in that way, by a combination of the roads to make a uniform classification.

Senator PLATT. You have shown this, that the classification of freight may be used, whether it is or not, to work injustice to the people. Is there any reason why there should not be a uniform classification of freight for the whole country, if it could be brought about? Is there anything in the geographical situation to prevent it?

Mr. WICKER. Nothing at all, except this feature: That the movement of products east-bound is altogether different from the movement of manufactured goods west-bound. To be sure, a classification might be made to include both the east and west bound. It is customary, as between here and in the East, to have east and west bound classifications, because there are a great many articles that are moved in large quantities which in their movement east must be taken and classified according to their quantity. They are the products of the country. If they are ever moved west they are moved either as a manufactured article or as an article of luxury. Circumstances differ. It is not necessarily the movements of the products of the country in large quantities.

#### DIFFERENCE IN RATES EAST AND WEST BOUND.

Senator PLATT. Is there a different rate for manufactured goods going east from the rate going west?

Mr. WICKER. Very often that is the case.

Senator PLATT. How large a difference is there between New York and Chicago, for instance?

Mr. WICKER. In many instances it varies perhaps 50 per cent. For instance, for years furniture has moved from the East to the West, and the rate, or the classification, by reason of its volume, was gradually forced down to its lowest point. When the West got to manufacturing furniture, so that it could supply its own territory and begin to ship east, it found the classification east-bound—there being no par-

ricular volume of furniture except for individual purposes—was higher; but as the volume increased the classification was reduced.

The CHAIRMAN. So that there is not as much difference now as there was before?

Mr. WICKER. No, sir. There is a gentleman here in the room now who is interested in shipping bellows. It is an industry that we never heard of in the West before. His classification to reach the East is probably higher than it will be after he has laid the matter before the railroads, and they have found that there is a considerable amount of shipments of that nature going on. Heretofore bellows have been moved from the East to the West.

#### CLASSIFICATION ILLUSTRATED.

Senator PLATT. Give me an instance of first-class and fifth-class freight; and if there are five classifications, name some articles in each.

Mr. WICKER. Dry-goods, boots and shoes, hats, caps, and millinery goods are, without exception, first class; invariably, on all classifications. Hardware is second class.

Senator PLATT. You may skip to the fifth class.

Mr. WICKER. The fifth class is a car-load of goods that in less than car-loads would go as fourth class as a rule.

Senator PLATT. What is the difference in the rates between first and fifth class freight?

Mr. WICKER. For instance, the rates from New York to Chicago to-day are 40 cents for first class, and 15, 14, and 13 cents for fifth class.

Senator PLATT. Is there really any logical reason for that disparity?

Mr. WICKER. No; perhaps the difference is too great. But it is the result of this fact, that dry-goods, hats, caps, and boots and shoes can better stand a rate of four-tenths of a cent a pound than sugar, coffee, dried fruits, &c., can stand a rate of 25 cents per 100 pounds.

Senator PLATT. Where do wines and such articles come in?

Mr. WICKER. Second class, as a rule.

Senator PLATT. Why should they not pay more—being articles of luxury, so to speak, and not articles of necessity—than the first class?

Mr. WICKER. All wines are taken in, as a rule, with alcohols and high wines, and whiskies of not excessive value. The classification does not undertake to discriminate between sheetings at 6 cents a yard and silk laces or silks at \$2 or \$3 a yard. They all come under the head of dry-goods.

Senator PLATT. Dry-goods, hats, caps, and shoes embrace articles of necessity quite as much as flour and sugar. All people must have hats, caps, and shoes. Why should they pay a higher rate? What logical reason is there for it?

Mr. WICKER. The value, the liability, the risk, and, as a rule, the seasonableness of the articles, all enter into the making of the rates.

#### ALL CLASSIFICATION IS ARBITRARY.

Senator PLATT. Do you believe rates are classified entirely according to some logical rule, or is it done partially because the rates can be obtained on a certain class and cannot be obtained on others?

Mr. WICKER. All classification is purely arbitrary. There is no basis on which it is made.

Senator PLATT. The entire freight charge is a tax upon the public, is it not?

Mr. WICKER. It is; upon the consumer.

Senator PLATT. It is a tax either upon the consumer or the producer, and ultimately it comes upon the consumer. The burden ought to rest as equally as possible, ought it not?

Mr. WICKER. Yes, sir.

Senator PLATT. It does not under this classification, does it?

Mr. WICKER. Well, nearly so. There may be some modifications. For instance, I think the staple dry goods, perhaps, might be made second or third class—sheetings, drills, and staple articles.

Senator PLATT. Is there any difficulty in making a special class for dry goods which might, perhaps, be termed luxuries, such as silks and laces and the higher priced articles?

Mr. WICKER. There is a difficulty; but I think it could be overcome.

Senator PLATT. Is it fair that the woman who buys her calico dress should have to pay as high a tax per pound to the railroad interest of the country as the woman who buys her \$5-a-yard silk dress?

Mr. WICKER. I am afraid it would be a pretty hard matter to figure it in either case. For instance, the rate of four-tenths of a cent a pound from New York to Chicago is hardly perceptible on any line of dry goods, hats, caps, boots, and shoes, while it is on coffee, sugar, sirup, and salt, and a thousand other articles.

Senator PLATT. They are sold closer?

Mr. WICKER. The railroads realize that fact in making up their tariff.

Senator HARRIS. Still, that hardly perceptible rate aggregates millions of dollars, does it not?

Mr. WICKER. Yes, sir.

Senator PLATT. I am not asking these questions as indicating the idea that I have on the subject, but purely for the sake of information as to whether, if there be a classification of railroad freights, it is any injustice to the people. You admit it may be made an instrument of injustice?

Mr. WICKER. Yes, sir; and it is now, in the manner that I have indicated, west of here. That does not exist east of here. That is, the unit of transportation east of here is per hundred pounds, and so they attempt to make it west of here; but they say, "if a man will ship sufficient hundreds of pounds to make a car-load, we will give him a rate that varies from 16½ to 157 per cent. less than the rate to a man who ships in less than car-loads."

#### NO CONCESSIONS TO LARGE SHIPPERS.

In that connection, I want to state my views with reference to clause 11 in your circular. Those views are considered rank heresy by one railroad man in this town to whom I have stated them. Others say it is right and just, and they can stand by it.

No concession of rate should be allowed the shipper on account of the magnitude of a shipment. No qualification should be made on that score.

#### THE UNIT 100 POUNDS.

The unit of all transportation should be 100 pounds. On such articles as are usually transported in car-loads, and are loaded or unloaded by the shipper or consignee (such as coal, brick, lumber, ore, salt, machinery, agricultural instruments, grain, live-stock, &c.), there should be a rate for 100 pounds for car-loads less than on the same articles in less than car-loads.



## AS APPLIED TO MERCHANDISE.

No difference in rates should be allowed for quantity—car-load or otherwise—on articles usually considered as “merchandise” or “house freight.” I use those words “merchandise” and “house freight” in distinction from the articles I have mentioned; lumber, live-stock, grain, and coal; that is, merchandise generally passes from the station-house weighed by the package, and is shipped by car-load or less than car-loads. No less rate should be made on shipments of any number of car-loads than the rate per 100 pounds charged on a single car-load of any commodity upon which a car-load rate may be made. That recognizes certain articles usually transported in car-loads as being entitled to a less rate in car-loads than in less than car-loads. But on articles that are designated as “merchandise” or “house freight,” usually handled from the station-house, no car-load rate should be made at less than the rate of 100 pounds.

## AS APPLIED TO AGRICULTURAL IMPLEMENTS.

The CHAIRMAN. That does not apply to grain?

Mr. WICKER. That does not apply to grain, because the car-load of grain is an ordinary package. A car-load of agricultural implements is an ordinary package. I will illustrate that in agricultural implements. What is known as hand agricultural implements or hand implements (shovels, hoes, rakes, scythes, &c.), are handled by every wholesale and every retail hardware house; while a thrashing machine or horse-power or reaper, or a cotton press, is not handled by an ordinary wholesale or retail dealer. It is a special line by itself. These special lines ship in car-loads as a rule. They are entitled to a less rate on a car-load than they are on less than a car-load, because a car-load of such articles is an ordinary package. A reaper or a thrashing machine put into a car takes up a great deal of room. It takes more than it does when they are all loaded together and form a car load. But shovels, hoes, rakes, spades, &c., are handled by the ordinary trade. They are bought by every wholesaler and every retailer; and every wholesaler ships them and every retailer deals in them. They should not be subject to the car-load rate.

The CHAIRMAN. They ought to be paid for by the pound.

## THE UNIT FOR GRAIN AND LIVE STOCK.

Mr. WICKER. By the hundred pounds. It is the same with live stock. A railroad cannot carry one animal as cheaply in proportion as it can carry eighteen head of cattle in a car. It is unjust to ask the roads to carry one animal as cheaply per head as a full car-load. So it is with bulk grain. A railroad cannot do anything with bulk grain unless it has a full car-load of it. A full car-load is an ordinary package. A full car-load of live stock is an ordinary package.

Senator PLATT. If the charge were by the hundred pounds for grain it would be impossible to make a discrimination between dealers by charging for the car-load, whether a greater or less quantity were actually conveyed in the car?

Mr. WICKER. True.

Senator PLATT. It would cut off all discrimination?

## PER HUNDRED POUNDS FOR CAR-LOADS.

Mr. WICKER. Yes, sir; without an exception all property should be carried at so much per 100 pounds. I am prepared to advocate that in relation to live stock, although it is customary in the West to carry it at so much a car-load.

Senator PLATT. Whence comes the necessity for calling a car-load a unit? On what theory is it done?

Mr. WICKER. The gentlemen who have been before you here are gentlemen who deal in car-loads. The board of trade products are dealt in in car-loads; and in their parlance there is nothing less than car-loads, and the rate of transportation should be on their unit, which is the car-load.

Senator PLATT. It should be fixed with reference to the great business of the country, rather than to the moderate business?

Mr. WICKER. Yes, sir. Merchandise is not moved in car-loads; grain is. It should be per 100 pounds in car-loads, or more. It should be per 100 pounds in any quantities on sugar, coffee, groceries, dry goods, hats, caps, boots and shoes, and merchandise.

Senator PLATT. Would it involve any difficulty to charge upon 100 pounds in keeping railroad accounts?

Mr. WICKER. Not at all. With very few exceptions all railroad tariffs are made on that basis to-day. While these gentlemen talk about the car-load being the unit, it is per 100 pounds in car-loads. The car-load may vary from 12,000 to 40,000 pounds.

Senator PLATT. Do they weigh a car-load of live cattle?

Mr. WICKER. No, sir. That is the only exception I know of. Stone and timber and brick and coal and grain, everything of a dead nature is carried now per 100 pounds, and it is sold as a rule by weight. Of course lumber is sold by the thousand and brick by the thousand; but as a rule these articles of a dead nature are sold by weight; cattle are sold by weight. It is coming to the 100 pounds on cattle very rapidly, because the roads are beginning to supply large live-stock cars. The old cars were 28 feet long. No new cars are built less than 34 feet in length. Of course, as they can get into it a couple of head more, a 34-foot car is desirable.

Senator PLATT. Is it your idea that making the car-load a unit of transportation affords an opportunity to the large dealer to get in some way a little better rate of freight than the small dealer?

Mr. WICKER. No; I think the impression derived from the evidence you have had before you is misleading in that respect; I think every gentleman who has talked about the car-load being the unit means per 100 pounds in car-loads. I do not think there is a gentleman in the whole list that expects a railroad will carry a car-load of 40,000 pounds at the same rate that it would carry a car-load of 20,000 pounds. They mean that whatever the capacity of the car it should be charged so much per 100 pounds.

Senator PLATT. You say that some of the railroad men call this rank heresy. What reasons do they give why they must make the car-load the unit; what is the railroad reason for it?

Mr. WICKER. No; they say it is rank heresy that they cannot make for a man who ships 100 cars a less rate than for a man who ships one car.

I would like to give you my belief as to what would be the ultimate result of a law that recognized a less rate for a greater quantity. If a rate could be established between Chicago and New York on grain

at 20 cents for 1 car-load, with a clause that for 10 car-loads the rate would be such a per cent. off—a slight fraction—the rate for 100 cars a still greater per cent., and the rate of 1,000 cars a still greater per cent., it would not be twenty-four hours before there would be a combination on the board of trade among the few large dealers to take advantage of any maximum amount that the law would provide. If it is right to carry 100,000 bushels for proportionately less than a car-load, it is right to carry 1,000,000 bushels for proportionately less than 100,000; and a combination would be made on that board of trade that would take a contract to move 100,000,000 bushels a year if they could receive a guarantee of half a cent a bushel lower rate than their neighbors. And such a combination would actually wipe out the ordinary dealer.

I will tell you one instance in relation to coal. In the Wilmington field, at the time of the Illinois law which recognized this quantity clause, there were three mines, controlling five shafts. The law recognized the quantity clause, and the railroads under that law made a tariff at the maximum rates provided by the commissioners for one car. On 5,000 tons they would receive such a percentage off; on 10,000 tons such a percentage off; on 50,000 tons a greater percentage, the maximum being 100,000 tons a year. In less than ten days after the promulgation of that tariff—and it was after a consultation with the coal company to get around the law in that way—these three coal mines, forming an association called the Wilmington Coal Association, took the 100,000-ton contract. From that day to this there has not been another coal company that could start in that section, because this combination had the 100,000-ton contract; and their shafts have increased from five to nineteen. In other words, they have bought their neighbors out. So I say there is no limit at which you can stop when you once get beyond the 100 pounds on merchandise or house freight, and the rate per 100 pounds on car-loads when you get beyond one car-load of car-load freight.

Senator PLATT. In other words, your idea, in short, is this, that railroad freights and classifications should be arranged on a basis which is not calculated to foster combinations?

#### LONG AND SHORT HAUL.

Mr. WICKER. Yes, sir; most assuredly. I would like to say one word further. It is getting late and I would like to hurry through. I believe that railroads should be allowed to make a lower rate for a long haul than for a short haul, provided the rates are subject to approval or disapproval by a commission such as I have indicated.

Senator HARRIS. A larger proportionate rate.

#### OREGON DECISION ON SHORT HAUL.

Mr. WICKER. Make a less rate for a long haul than for a short haul under certain circumstances. And, by the way, I see that that principle is recognized by the United States Circuit Court in Oregon, a few days ago, in instructing the receiver of a road to disregard the Oregon law, which provided that a rate should not be made less for a long than for a short haul.

Senator PLATT. Oregon passed (with such regulations as were necessary to adapt it to the State) the Reagan bill.

Mr. WICKER. Yes, sir. Mr. Paul, your clerk, has a copy of the

Oregon law. I gave it to him a few days ago, with a copy of the judge's instructions to the receiver operating the road to disregard the law in that particular.

Senator HARRIS. You think, then, that a law absolutely prohibiting a greater charge for a short than for a long haul would not be wise?

Mr. WICKER. It would not be wise; it has got to be watched.

Senator HARRIS. But you think that should be left to the discretion of the commission or whatever tribunal should be created?

Mr. WICKER. I would go farther than that. It should be left with the road to do that. But my whole argument here provides that a road should stand ready to defend the reasonableness and justness of its rates. It must not make a rate lower for a long haul than for a short haul unless it stands ready to justify it.

Senator PLATT. You would not enact such a law, but you would leave the matter to the commission to say whether the less rate for a long haul was under the circumstances just and right, or whether it was an unjust discrimination.

Mr. WICKER. Exactly. Commercial matters must not be restricted. I do not believe it is advisable to restrict them in that particular. The railroads must go before the commission prepared to justify their rates. It is the old justification, not of faith but of rates.

#### POOLS.

There is no objection to pools. In relation to the railroads being allowed to make a less rate for a long haul than for a short, it should be only in connection with there being somebody that can say whether that rate is a just and reasonable rate. I would not provide the roads with a cudgel over the public unless there is also a restraining influence over them. For the same reason I do not believe there is any objection to pools and traffic agreements among railroads to maintain their rates so long as they are amenable to a commission and can be called upon to defend against all comers the justice of their traffic arrangements, pools, &c. Their rates must be just and reasonable.

Senator PLATT. All such contracts have always been held to be, by common law, against public policy. I think it was George Stephenson, or some other eminent man, who said that "where combination is permitted competition is impossible." But your idea, as I understand it, is that it would be no longer against public policy if there could be governmental regulation.

Mr. WICKER. Yes, sir.

#### DRAWBACKS AND REBATES.

The CHAIRMAN. Do you believe that rebates and drawbacks should not be allowed at all?

Mr. WICKER. They should not. Rebates and drawbacks, and commissions or concessions of any nature whatsoever, should be absolutely prohibited by law, without any exception. There should be only permission to adjust clerical errors.

#### CHANGES IN RATES.

Changes in rates should not be permitted, when once established and found to be just and reasonable, as nearly as human foresight can arrive at it, except with a view of arriving more nearly at what is just and reasonable.

The CHAIRMAN. What do you think about publicity of rates being required?

## PUBLICITY OF RATES.

Mr. WICKER. As a railroad man of seventeen years' experience I would say there was no particular necessity for it; but I think it advisable that railroads should be required to post at their stations the rates from that station to all other points. It is absolutely impracticable to ask a railroad to publish or post at a certain point the rates from other points to that point.

The CHAIRMAN. It would be an unnecessary amount of labor?

Mr. WICKER. Yes, sir; but they ought to publish rates from that point.

## NO NOTICE OF CHANGE OF RATES.

Senator HARRIS. Should they be required to give notice of a change of rates?

Mr. WICKER. With a view that rates should not change except with the idea of arriving at what is more nearly just and right, I should say, no. They should give no notice whatever. It is taken advantage of in a great number of ways.

## HENRY W. KING'S STATEMENT.

HENRY W. KING, merchant, of Chicago, appeared.

The CHAIRMAN. We are sent out by the Senate of the United States to investigate the condition of interstate commerce, especially as it relates to railroads. Will you be good enough to give us your general views on that subject?

## THE LEAST POSSIBLE GOVERNMENTAL INTERFERENCE.

Mr. KING. My views in general on the subject would be expressed in a very few words. Those views are, that as a rule the least possible governmental interference the better for the community, in the view that these railways are commercial bodies and that they hold commercial relations to the community. We can usually depend upon those questions being properly settled by the great laws of supply and demand and competition.

Senator HARRIS. You say, the less the better. In your opinion is it better for Congress to take no action in respect to the regulation of interstate commerce?

Mr. KING. Yes, sir; that would be my opinion in the main.

The CHAIRMAN. Taking the country over, there seems to be a demand upon Congress to bring into positive force the provision of the Constitution authorizing the regulating of commerce between the States by Congress; and this investigation is being had with the view to determine just what kind of legislation, if any, ought to be enacted.

Mr. KING. I did not suppose that that provision of the Constitution related to those artificial bands of commerce which would come under the head of railways. I supposed it applied more particularly to the regulation of rivers and water courses, &c., which are natural highways and not artificial highways like the railways.

The CHAIRMAN. I believe, however, that it is substantially decided by the courts that Congress has a right to go farther.

Mr. KING. Yes, sir; I believe the courts have decided so; and therefore I look upon the railways as holding to the community two separate relations. One is their legal relation and the other their commercial relation. I think it is very much like the laws which regulate the rate of interest. You may legislate upon the subject, and there may be a legal rate of interest, as there is; but the real rate of interest is determined by other causes and other relations.

#### COMPETITION AND THE LAWS OF TRADE THE REMEDY.

The CHAIRMAN. By the supply or scarcity of money?

Mr. KING. For instance, you have a right in Illinois to take 8 per cent. but the fact is that the rate of interest is much below 8 per cent. And therefore I do not think that on this matter of the regulation of transportation any legal enactment would be beneficial. I think we have to depend upon working out of this question through the natural laws of supply and demand and competition.

Senator HARRIS. Assuming, then, that Congress has power to regulate commerce among the States through every channel that commerce may exist in, in your opinion is it best for Congress to undertake by statutory enactment to regulate that commerce, or should it leave it for the laws of trade to arrange?

Mr. KING. My opinion is, it would be for the interest of the country to leave it entirely alone, to be regulated by the laws of trade.

The CHAIRMAN. Suppose Congress should conclude otherwise and should decide that some legislation should be enacted, do you think the appointment of a commission having a supervisory control over railroads would be injurious?

#### A COMMISSION TO GATHER STATISTICS.

Mr. KING. I think the appointment of a commission, if you please, like the present commission of Illinois, to obtain statistics and facts which are to be spread broadcast, through the papers, would have a tendency to let in a good deal of light and would inform the public mind in a way that would be beneficial. I think the railway interests have been very largely misunderstood by the people generally. I believe that, like all other interests, the men who own the railways are the men who are the most sensitive to their interests. And so great is competition in almost every part of our country that I think they may be left to adjust this question themselves.

The CHAIRMAN. Would you think it would be risky and dangerous to the interests of the public to give a commission, if one were created by act of Congress, the power to investigate controversies between railroads and shippers or business men?

Mr. KING. I think that it would be almost an impossible task for a commission to perform.

The CHAIRMAN. You mean a United States commission?

Mr. KING. Yes, sir; there are so many details, and I think the conditions vary so greatly. The circumstances are so constantly shifting that what might be a just rate to-day might not be a just rate a month from to-day. Those are the difficulties that arise in my mind with regard to a commission attempting this work.

The CHAIRMAN. I am not intimating now that the commission ought to fix the rate; but in the ordinary run of business you have found occasionally, I suppose, that you had a question of dispute on hand between yourself and some transportation company, have you not?

## THE COMMON LAW SUFFICIENT.

Mr. KING. Yes, sir; I have.

The CHAIRMAN. In your own case you have generally been able to settle them?

Mr. KING. I have always found the common law was sufficient for me, and I have had to invoke its aid occasionally.

The CHAIRMAN. Have you ever gone into court and secured your rights?

Mr. KING. I have.

The CHAIRMAN. Is it not true that in hundreds of instances among the people of the country it would hardly pay a man doing a little business, where a dispute over \$15 or \$20 or \$50 or \$100 was involved, to follow it up in the courts of law to a final consummation?

Mr. KING. I think it is very true that there are exceptional cases where the amounts involved have not been large enough to justify the pursuit of the remedy in the courts; but I think that does not pertain in regard to railways any more than to other corporations, or even to large firms.

The CHAIRMAN. A railway company or transportation company occupies a different attitude towards the public from a private individual.

Mr. KING. It occupies a different legal attitude, but not a different commercial attitude. The commercial attitudes of the two are about alike.

## RIGHT OF RAILWAYS TO REGULATE THEIR BUSINESS.

Senator HARRIS. Do you think that it would be wise and beneficial, or otherwise, to require, by law, transportation companies to publish their rates and to prohibit their changing them except after giving reasonable notice?

Mr. KING. I do not know any reason why railways having transportation to sell should advertise publicly their price any more than other corporations. They have, like other corporations or firms, a mixed business; and they would naturally do a wholesale business cheaper than they would a retail business.

Senator HARRIS. Do you not recognize the fact that a common carrier has a public function to perform?

Mr. KING. I do.

Senator HARRIS. And that it owes certain duties to the public?

Mr. KING. I do.

Senator HARRIS. And that it is subject to the control of the public?

Mr. KING. I do; I believe that has been decided without any question by the courts.

Senator HARRIS. In view of that fact do you or not think that Congress should undertake to legislate so far as to secure equal and exact justice to the entire public in the dealing of railroads with the public?

Mr. KING. I think, of course, that equal and exact justice should be secured, if possible. But I think that you cannot do that by legal enactment. I think that must be left to be settled by the interests of the parties.

## DISCRIMINATION.

Senator HARRIS. Has the practice of the common carriers in this locality, so far as you know, been to discriminate to any extent as between individuals or localities by a system of rebates?

Mr. KING. I think there is and always has been some discrimination between large shippers and small shippers.

Senator HARRIS. Do you think it is just that there should be a discrimination between the man who ships one car-load of the same kind of freight from the same point to the same point, and the man who ships one hundred car-loads?

Mr. KING. I think there should be.

Senator HARRIS. On what principle?

Mr. KING. On the principle that you can do a wholesale business cheaper than you can a retail.

Senator HARRIS. Can you carry one hundred cars for one man cheaper than you can carry the same one hundred cars for ten different men?

Mr. KING. I think you can; perhaps not for the mere motive power of hauling those cars; but there would be the difference in clerical force to make out the bills, and to do the business and to look after the interests of the hundred. It would cost the railway more than it would to look after one.

Senator HARRIS. Would there be any difference in the cost in that case, except the mere clerical force that it would require to make out one hundred bills instead of one?

Mr. KING. Well, I am not a railroad man. Suppose a railway could have one hundred cars at one place to transport to another, it could manage its trains better and more economically in that case than if it picked up one hundred cars at different points from one hundred different men.

Senator HARRIS. I take the one hundred cars from the same point to a same point in my illustration?

Mr. KING. Probably not, in that case.

Senator HARRIS. As a matter of fact, where the same shipper ships one hundred cars is there not a separate bill for each and every of the one hundred cars?

Mr. KING. I could not answer the question, for I do not know.

#### REBATES AND DRAWBACKS.

The CHAIRMAN. In your experience as a business man have you known much about this rebate and drawback business?

Mr. KING. I have known something of it.

The CHAIRMAN. What do you think about it? Ought it to be allowed?

Mr. KING. I suppose it is only another way of making a lower rate because there are conditions or reasons which the roads think justify it.

The CHAIRMAN. Is it not a very easy way to discriminate against one person in favor of another?

Mr. KING. I suppose it is.

The CHAIRMAN. Do you not think that that ought to be prohibited?

Mr. KING. I do not.

The CHAIRMAN. You think it is an element of trade that ought to be allowed to exist?

Mr. KING. I think it is an element of trade that you cannot do away with if you try to.

The CHAIRMAN. According to your judgment, there is not much to do on the part of Congress on this question?

Mr. KING. I think there is very little to do.



## WATERWAYS SHOULD BE DEVELOPED.

The CHAIRMAN. What do you think about the question of waterways in competition with railways?

Mr. KING. My judgment is that it is the duty of the Government to do all it can to develop the natural highways of commerce, and that our waterways should be developed and fostered by the General Government. They are the best and most permanent competitors of these artificial highways called railways. I think, for instance, the people along the line of the Mississippi River should have given them the Illinois and Mississippi Canal. I think the waters of Lake Michigan should be connected with the water of the Mississippi River. We ought to be able to send our grain and our bacon to Memphis and to New Orleans, all along the line of the road, by water, and we ought to be able to bring their products to us by water. I think those are highways that are laid out, so to speak, by the Lord, and we ought to do all we can to improve and develop them.

## THE HENNEPIN CANAL.

The CHAIRMAN. In your reference to the Illinois and Michigan Canal do you mean to say that in your judgment what is commonly known as the Hennepin Canal, running from a point on the Illinois River, near Hennepin, across to the Mississippi River, is an enterprise that ought to be constructed by the Government?

Mr. KING. I do, most decidedly.

The CHAIRMAN. Suppose that were built, over what scope of country would it be of service?

Mr. KING. It would be of service to all the States lying adjacent to the Mississippi River and to the States of Michigan, Illinois, and Wisconsin, lying along the margin of the lake and adjacent.

The CHAIRMAN. Suppose it were constructed to-day, it would result in a water highway being opened from the head of the Mississippi River through to the Eastern seaboard, would it not?

Mr. KING. Yes, sir; it would give us an outlet to the Gulf of Mexico, whereas now we have only an outlet to the Gulf of Saint Lawrence.

Senator PLATT. What are the present grain rates to Rock Island?

Mr. KING. I cannot answer that question.

Mr. WICKER. I should say about 7 cents per hundred.

Senator PLATT. They would probably be lessened by the construction of the canal?

Mr. KING. Yes, sir.

## RELATIVE RATES OF LAKES AND RAILROADS.

The CHAIRMAN. Mr. Wicker can probably answer this question more accurately than you. I was going to ask you what the relative rates are as between the railroads and the lakes during the summer season.

Mr. KING. About one-half. I cannot answer that by experience; between New York and Chicago goods shipped by canal and lake, or by railway to Buffalo and by lake, are about one-half. That is about the ordinary average difference. I have known them to be very much more than half lower, and I have known them to be less than a half lower; but the average would be about one-half.

The CHAIRMAN. In your line of goods do you use the waterway much?

Mr. KING. Very little during the last two or three years. We used to use it very much, but since railway freights have become so much lower we have not used the waterways so much.

The CHAIRMAN. Even though you do not use them you get the benefit of them by the reduction of freight by rail, do you not?

Mr. KING. Yes, sir; they are a constant competitor and keep the railway freights, of course, at a low point.

### C. M. WICKER'S STATEMENT—Continued.

C. M. WICKER, commissioner of the Chicago freight bureau, recalled.

#### APPLICATION OF SAME PRINCIPLES TO PASSENGER AND FREIGHT TRAFFIC.

The CHAIRMAN. We will ask you to take the chair again for a while, as there were some further matters about which we wanted to ask you. Are you familiar with the methods adopted by the railroads to secure passenger business?

Mr. WICKER. Yes, sir; I have had considerable to do with passenger business; not as much, however, as with freight.

The CHAIRMAN. We would like to have you tell us something about it.

Mr. WICKER. I think the same terms, or rather I think the same law, should apply in relation to passenger business as in relation to freight. That is, that in freight no rebates or overcharges should be allowed to affect the gross revenue of a road, and in the passenger business no commission should be allowed.

The CHAIRMAN. As a matter of fact these railroad companies or transportation companies are in the habit of paying their agents commissions for the sale of tickets, are they not?

Mr. WICKER. They are, at almost every point, local and competing. The local point gets its revenue from some road leading to a competing point; very often to such an extent that the ticket agent simply sells his tickets and draws his commission without any effort on his part to control the route of the passenger. And, of course, any railroad failing to pay his commission will have that ticket agent discriminate against it.

#### TICKET AGENT'S COMMISSIONS.

The CHAIRMAN. He would try to prevail upon the passenger to go on some other road where he did get a commission?

Mr. WICKER. Yes, sir.

The CHAIRMAN. That practice you say is carried on by these roads almost everywhere?

Mr. WICKER. Everywhere, you might say; I know of no exception; and it amounts to from 10 to 33½ per cent.

The CHAIRMAN. They get that on the sales?

Mr. WICKER. That they get on the sales of the tickets.

Senator PLATT. Who pays the expenses of the offices in the different cities where tickets are sold? For instance, the office down stairs here?

Mr. WICKER. The revenue is derived from the commission on the tickets sold.

Senator PLATT. It is paid by the agent, then?

Mr. WICKER. His rent, as a rule, is paid by himself; and he derives his revenue in proportion to the tickets sold over different roads, one, two, three, or five dollars a ticket, as the case may be.

The CHAIRMAN. All that money that is paid to those agents as commission is in the nature of a tax upon the travel of the public, is it not?

Mr. WICKER. It is. I have advocated a different course for some time, in relation to the rates in the immediate West. Of course I do not advocate it as to mountain travel, but for rates between Chicago and the Mississippi River. In my opinion the roads would get a greater revenue out of tickets sold flat, 2 cents a mile, without commission, than they do to-day out of their 3 or 3½ cents per mile.

The CHAIRMAN. They spend the difference in this struggle and scramble to get business?

Mr. WICKER. Yes, sir.

The CHAIRMAN. Are you acquainted with the passenger rates all over the country, east and west?

Mr. WICKER. In a general way; of course, I do not study them thoroughly.

The CHAIRMAN. Do they not charge less in some portions of the East per mile for passenger travel than they do here?

Mr. WICKER. Yes, sir; the farther west you get the higher the rate per mile, as a rule; but they are coming down. They are getting less year by year, as the competing points increase.

The CHAIRMAN. You think that if unnecessary expenses were cut off, such as the employment of agents to drum up custom, they could charge very much less than they do, and make more money?

Mr. WICKER. They could reduce the public rates 25 per cent., I think, on the whole business.

Senator HARRIS. And make as much profit on the carriage?

Mr. WICKER. And make as much profit as they do now. Of course the struggle all the time is to do away with what they call the "scalpers," and the outside agent, but they cannot do it.

The CHAIRMAN. Why not?

Mr. WICKER. Because there is always, we will say, some poor line that would rather accept three-quarters of a rate than nothing; and immediately upon the roads that carry the majority of passengers agreeing not to pay a commission this poor little road, which is not a party to the agreement, steps in and employs all the outside ticket agents to sell tickets for their road. That breaks up the agreement and forces the roads that would like to do away with the practice to return to it again, as disreputable as they consider it.

#### THE PULLMAN PALACE-CAR COMPANY.

Senator HARRIS. Before you get away from this passenger traffic allow me to inquire if you know anything as to the amount of dividends paid upon the Pullman palace-car stock?

Mr. WICKER. I do not.

Senator HARRIS. The headquarters of that company are here?

Mr. WICKER. Yes, sir; I know they give us good service, and as a rule I am willing to pay for it. I do not know how it is about other people.

The CHAIRMAN. You were referring to the classification when you were on the stand before. You gave the items belonging to the first and fifth class; I have forgotten which class you put straw hats in, for instance.

#### DOUBLE FIRST-CLASS FREIGHTS.

Mr. WICKER. Straw hats, as a rule, are first class, although some roads make them double first class by putting them with straw goods.

The CHAIRMAN. First class pays the highest rate of freight, as I understand it.

Mr. WICKER. Yes, sir.

Senator HARRIS. The double first class pays how much?

Mr. WICKER. Twice first class for straw and millinery goods. The roads try to capture that with a high rate, double that of the ordinary hat rate, on account of its bulkiness. It is light, also.

The CHAIRMAN. What would a car-load of straw hats yield?

Mr. WICKER. I do not know. Still they will not yield as much as you would imagine, on account of their bulkiness and lightness. You could probably not get into an ordinary car over three or four thousand pounds of straw hats, while the car would carry 30,000 pounds of other freight.

The CHAIRMAN. What class of freight would lead be in?

Mr. WICKER. That is usually carried fifth class.

The CHAIRMAN. Why?

Mr. WICKER. On account of its being one of the commodities of the country that is generally shipped in large quantities, and is worth 3 or 4 cents a pound.

The CHAIRMAN. And is carried at the cheapest rate?

Mr. WICKER. Not absolutely at the cheapest rate. There may be a rate on stone, brick, lime, salt, and cement, less even than lead.

Senator HARRIS. I suppose the elements of small bulk, great weight, and little value would enter into the cheapness of that class of transportation?

Mr. WICKER. Yes, sir; for instance, take a pig of tin and a pig of lead. The railroads try to get a higher rate on the pig of tin than on the pig of lead, while the facts are the pig of tin is of the smallest bulk. That is on account of its value.

#### REASONABLENESS OF EXISTING RATES.

As to the reasonableness of the existing rates, I think, as a rule, the rates between the competition points are fair and reasonable. But there are a great many local rates that are in the way of, you might say, extortion at the present time. If the railroads could be assured, in the nature, not exactly of a guarantee, but of a reasonable assurance, that they could get a just and compensating revenue out of their competitive business, they could afford to reduce these local rates.

The CHAIRMAN. Do you think, as a matter of fact, from your observation that railroads are in the habit of carrying freights at any time from competitive points at less than cost, and then recouping on the non-competitive points to make it pay?

Mr. WICKER. They try not to, but they do.

The CHAIRMAN. You think they do, as a matter of fact?

Mr. WICKER. Yes, sir; I guess there is no question but what the present rates from Chicago to tide-water are less than the cost of doing business. If they make expenses and make any return on the capital invested, they certainly do it on the local business, the non-competitive business, or shorter haul.

#### PROHIBIT ROADS DOING BUSINESS FOR LESS THAN COST.

The CHAIRMAN. In the struggle for business from Chicago, for instance, to tide-water, if the roads carry at a rate that simply pays expenses, it is no injustice, is it, to those who live at non-competitive points—

that they should be charged a greater rate, provided that rate is reasonable?

Mr. WICKER. No; except I would look at it in this way: That while it might not be within the province of Congress to legislate against a company or individual or corporation engaged in mercantile and manufacturing pursuits entering into competition with another, I do think it is within the province of Congress to prevent common carriers (they being in the nature of public servants) from entering into any competition that would result in extravagantly low rates or unreasonable rates; because by doing so they certainly must injure other parties; they must do an injustice. They cannot make an unreasonable rate and keep it up many days without doing an injustice.

The CHAIRMAN. You are talking now about an unreasonably low rate, are you?

Mr. WICKER. I am. They should be prohibited, in my opinion, from making a rate that is less than the cost of doing the business. It is an incentive to recoup at other points.

The CHAIRMAN. And to do somebody else an injustice to make it even?

Mr. WICKER. Yes, sir.

#### ELEMENTS OF COST OF TRANSPORTATION.

Senator HARRIS. That suggestion of doing business at less than cost brings to my mind this question: Suppose you had a minimum rate, or, rather, suppose the statute prohibited a transportation company from carrying freight at less than the cost of the service; suppose, in view of your water transportation from here to New York, the water rate were so low that a railroad corporation could not carry freight at the same price and pay the cost of transportation, although the railroad company had empty cars here in Chicago which had to go back to New York, what would be the cost of loading those cars here when you must elect either to load them here at the extremely low rate, or haul them back empty?

Mr. WICKER. In that instance, if the cars must go back to New York, if they must have them in New York to get a paying business, it is better for them to lose a little in the transportation and loading of those cars than it is to lose a great deal in hauling the cars empty; but I think in the long run it would be better to let the vessels take the property, when the vessel rate has got to a point where a railroad must do it at a loss, even though they have the cars here, because it must necessarily result in an injury if it is done. It must result in an injury to the intermediate points having similar property to ship, if that is continued a great while.

Senator HARRIS. The exact question that I wanted to get at is this: What are the elements of cost of transporting the freight from here to New York? Do you include the operating expenses or the fixed charges? Tell me what elements constitute the exact cost of transportation.

Mr. WICKER. That is a subject over which I have spent considerable time, and I would rather read what I have written than to trust to my own language now. The cost is not the only element that should enter into the problem of making interstate rates; that is, the cost referred to in your circular. It may cost, under certain circumstances, the same, or even less, to transport a hundred pounds of dry goods, coffee, or plate glass, than the same quantity of coal oil, grain, live stock, or

rough stone. It may, under certain circumstances. I can see how it would cost more; but the fixing of interstate rates should be based on the estimate of such rates on the various commodities offered for transportation as will compensate for the room occupied and the liability of risk of transportation assumed, thus making one class of business as desirable as another and distributing the expense of transporting the entire traffic equitably among the consumers in such a manner as will enable the corporation in interest to receive on the total tonnage carried a fair, just, and reasonable compensation for the expenses of operating and for the actual money invested in right of way, construction of road, equipment, and maintenance of the same. It has got to be distributed over these various classes of freight. There may be an instance, as I say, where it would cost less to carry boxes of plate glass than it would to carry a block of stone; or it may cost less to carry a box of dry goods under certain circumstances than it would to carry the same weight in grain; but your total revenue has got to be distributed over the various articles offered for transportation.

Senator HARRIS. And to make it reasonably profitable and fair to the transportation company the charges should produce a revenue equal to the fixed charges and the operating expenses?

Mr. WICKER. Yes, sir.

#### THE DIVIDEND ALLOWABLE.

Senator HARRIS. About what dividend should you estimate?

Mr. WICKER. I should say 7 per cent., so that they could provide for funding the bonds and still give them a healthy rate of interest on their investments.

#### POOLS.

The pooling contracts or traffic agreements between railroads should be allowed, and should become matters of public interest only when resulting in extortionate rates. They are not now deemed objectionable. They, of course, should be regulated by the commission.

#### RIGHT TO SELECT ROUTE.

Shippers should always have the right to select the initial line over which the shipment is made; but in my opinion they should have no right of control over the roads over which that property is to be shipped unless it is specified when the shipment is made.

The CHAIRMAN. By the party shipping?

Mr. WICKER. Yes, sir; by the shippers. They should always have the right to designate the route clear through to destination; but in the absence of any such selected route the property should be used as in the pools and traffic agreements.

The CHAIRMAN. If a shipper goes to an agent of a railroad and says, "I want my products shipped over a particular line," do you know whether the roads, when they comply with that shipper's request, are in the habit of charging more than when the shipper says nothing about it and they are allowed to send it to suit themselves?

Mr. WICKER. I know of no such instance now.

The CHAIRMAN. Has there not been such a case?

Mr. WICKER. There has been such a case when, in their efforts to even up a live-stock pool, they would make a certain rate on stock to go the way designated, and a lower rate on stock that was shipped with

the privilege of carrying it over any route in order to even up, but I believe that has been done away with. It was done away with at the expense of the public, just the same as the other mode, by making a contract with certain shippers that their stock can be used to even up the routes; and to compensate them for the use of their stock, they are paid a rebate below what the public has to pay.

The CHAIRMAN. So that really it results in the shippers having to pay more, because of this pool arrangement, than they would otherwise pay?

Mr. WICKER. It does in that instance.

#### UNIFORM SYSTEM OF ACCOUNTS.

I think it would be a hardship upon the railroads to require them to keep a uniform system of accounts; but they should be required to fill out certain blanks furnished by the commission, just the same as is done under the State law. I do not say that they should keep all their blanks alike. I think that would be a little of a hardship.

#### NUMBER OF COMMISSIONERS.

My idea, after looking this matter over in relation to a commission, is that it should be composed of about twelve men.

The CHAIRMAN. On what theory?

Mr. WICKER. On the theory that twelve should be broken up into four sub-commissions; say one in the East and one in the South, one in the Western or Middle States, and one on the Pacific coast; giving three in each division; and one of these three, making four out of the twelve, should be a commercial railroad man, a man that has had experience in commercial and railroad matters.

#### DUTIES OF THE COMMISSION.

My idea is that they should have an office in their respective districts to hear minor complaints, from which an appeal could be made to the full board, who should meet once or twice a year to hear these complaints. I think, if possible—which, from the conversation I have heard here within the last two or three days, I doubt—there should be some legislation (or rather the commission should have some such power) to regulate the paralleling of roads as stock-jobbing operations. I do not know that it is possible, but it would be desirable.

Passing over the Chicago, Burlington and Quincy road, as I did a few days ago with State Senator Johnson, one of the railroad commissioners of this State at the present time, a remark was made in our hearing that if it had been possible to float bonds during the last two or three years as it was possible during the previous two or three years, the Chicago, Burlington and Quincy property would have been paralleled between here and the Mississippi River. It is a valuable property, and the road probably cost \$40,000 or \$50,000 a mile. A road could be built for \$15,000 or \$20,000 that would ruin that property without affording the public any more advantages than they have now, while really inflicting upon the public the maintenance of two roads instead of one.

#### DISCRIMINATIONS.

Senator HARRIS. If you are through with that subject I was going to inquire (for I do not really remember whether any such question has

been asked) whether in your experience here in connection with the transportation business, and your subsequent experience here as a business man, representing the shipping interests, you know anything of discriminations upon the part of transportation companies as between individuals or localities?

Mr. WICKER. Yes; I do. And this discrimination by reason of rebates is a part of the present railroad system. I do not believe the present railway system could be conducted without it. Roads coming into the field to-day and undertaking to do business on a legitimate basis of billing the property at the agreed rates would simply result in getting no business in a short time.

Senator HARRIS. Then, regardless of the popularly-understood schedule rates, practically it is a matter of underbidding for business by way of rebates?

Mr. WICKER. Yes, sir; worse than that; it is individual favoritism; the building up of one party to the detriment of the other. I will illustrate. I have been doing it myself for years, and had to do it.

Senator HARRIS. Doing it yourself in your position?

#### JUSTIFICATION OF REBATES.

Mr. WICKER. I am speaking now of when I was a railroad man. Here is quite a grain point in Iowa, where there are five or six elevators. As a railroad man, I would try and hold all those dealers on a "level keel," and give them all the same tariff rate. But suppose there was a road 5 or 6 or 8 miles across the country, and those dealers should begin to drop in on me every day or two and tell me that that road across the country was reaching within a mile or two of our station and drawing to itself all the grain. You might say that it would be the just and right thing to do to give all the five or six dealers at this station a special rate to meet that competition through the country. But, as a railroad man, I can accomplish the purpose better by picking out one good, smart, live man, and, giving him a concession of three or four cents a hundred, let him go there and scoop the business. I would get the tonnage, and that is what I want. But if I give it to the five it is known in a very short time. I can illustrate that better by a story told by Mr. Vanderbilt when he and his broker had a deal in stocks. The broker came in and said, "Mr. Vanderbilt, I would like to take in my friend John Smith." Mr. Vanderbilt said, "Let us see how this will work. Here are you and myself in this deal now. We take in John Smith; that makes a hundred and eleven. I guess I won't do it." When you take in these people at the station on a private rebate you might as well make it public and lose what you intend to accomplish. You can take hold of one man and build him up at the expense of the others, and the railroad will get the tonnage.

Senator HARRIS. The effect is to build that one man up and destroy the others?

Mr. WICKER. Yes, sir; but it accomplishes the purposes of the road better than to build up the six.

Senator HARRIS. And the road, in seeking its own self-preservation, has resorted to that method of concentrating the business into the hands of one or of a few to the destruction of the many?

Mr. WICKER. Yes, sir; and that is a part and parcel of the system.

Senator HARRIS. Is that system continued up to this time?

Mr. WICKER. Yes, sir.



## SUPERVISION OF POOLS BY THE COMMISSION.

Senator HARRIS. That is the method by which transportation is being conducted, at this time by the railroads?

Mr. WICKER. Very largely. Where they form a pool and maintain that pool they do away with that method. So, I say, the pool is to the advantage of the public; it puts everybody on an even keel.

The CHAIRMAN. Provided it is lived up to by the railroad companies?

Mr. WICKER. Yes, sir. Then put a commission over that pool to see that the rate is just and right, and I think you have approached nearer to justice than by any other way.

Senator HARRIS. If every transportation company was compelled to publish its rates, those published rates not to be changed except upon such notice as might be determined to be reasonable, would not that tend (if by sufficient penalties or other methods it could be enforced) to remedy this evil?

Mr. WICKER. It would, largely.

## ABSOLUTELY PROHIBIT REBATES AND DRAWBACKS.

The CHAIRMAN. Still, if rebates were not prohibited they would publish their rates and still go on with the rebates?

Mr. WICKER. They would find some way to avoid it. They would pay a man a salary, if necessary, to get business. I have known such things to be done.

Senator HARRIS. Give him a salary without duties?

Mr. WICKER. Exactly.

Senator HARRIS. You think, then, that rebates and drawbacks ought to be absolutely prohibited?

Mr. WICKER. Absolutely by law, and the punishment ought to be by imprisonment, if necessary. You cannot make it too strong. Do away with that iniquitous system. Mr. Cook, a railroad man, testified here to the same thing the other day. It is one of the most pernicious systems that is in vogue among the railroads, but it is a part of their system. They will see how much business they can keep out of the pool by giving the man just outside of it a rebate. All of the business you can get outside of the pool is clear gain. There is 100 per cent. on that. In the pool you have to divide it.

Senator HARRIS. What you get outside of that is all yours?

Mr. WICKER. All yours.

Senator HARRIS. It belongs to the individual company?

Mr. WICKER. Yes, sir. Something was stated here yesterday in relation to hauling freights and making delivery by teams; but I think there is a mistake in saying that anything of that kind is being done now in Chicago. There was a time when one of the prominent Western roads centering here had its freight depot some distance from the business center, and it used to equalize drayage by putting on their own teams. But that is all done away with by its getting a depot nearer the center of the town.

## BILLS OF LADING.

There is a gentleman here who will address you in relation to bills of lading. I would like to say another word in relation to the testimony

given the other day about the bill of lading providing one rate, and an amount to be collected in excess of that.

The CHAIRMAN. An overcharge?

Mr. WICKER. An overcharge, and consequent claims and delays in collecting the money. The States of Arkansas and Texas have passed laws enabling a party holding a bill of lading to present it at the depot and get the property on the provisions of that bill of lading as regards rates. Their law, I think, is effective in this particular, that it also provides that the weight specified in the bill of lading shall also be accepted. I do not think in the matter of weights any law should be made except that the actual gross weight should govern. I do not think because a clerk makes a mistake in inserting a fictitious weight that that ought to enable the holder of that bill of lading to collect on the weight specified. It ought to be the actual weight under all circumstances; but the weight specified in that bill of lading should carry with it the right to demand and receive the property on presentation of that bill of lading.

Senator HARRIS. And the amount of property that was shipped?

Mr. WICKER. And the amount of property that was shipped. It is just as well for these roads to hold that account against their connecting roads as it is for the shipper to hold it against the delivering road. These roads carry hundreds of thousands of dollars of that kind of overcharges. It would be just as well for the railroad to carry that themselves as to have the public carry it for them. There would be less of it if they did.

Senator HARRIS. From your practical experience I want to learn one fact. Take the case of one individual shipping 50 car-loads of the same kind of freight from the same point to the same point and to the same consignee. Does one bill of lading cover the whole 50 cars, or is there a bill of lading for each car?

#### WAY-BILLS.

Mr. WICKER. You must recollect that a bill of lading does not accompany the car necessarily. A bill of lading is something given by the receiving agent to the shipper, which he sends by mail to the consignee. A way-bill accompanies the car, almost without exception. I will give you a few exceptions. A way-bill must be made for every car. If not a way-bill, a pasteboard slip is made giving the destination of the car and its number. A conductor must have either a slip or way-bill of that kind for every car.

Senator HARRIS. The clerical duty of making a slip or way-bill is just about the same?

Mr. WICKER. Yes, sir; there are certain instances, like in the transportation of ore in Northern Michigan, where there are no way-bills made out. The mine agent puts down the car number on a slip, and hands that to the conductor. It is all short-haul business, all purely local business. There is only one kind of business, and that is iron ore. Such a state of affairs is in existence in some of the coal-fields, where the cars are all "slipped," as they call it. On each car there is a slip. They save the expense of making out any way-bill. But that is a very small portion of the traffic. It is only as to such traffic as goes on their own roads.

## JOHN C. RICHBERG'S STATEMENT.

JOHN C. RICHBERG, attorney at law, appeared.

The CHAIRMAN. If you have anything to say please come right to the point and say it as quickly as you can. I see by a memorandum on this card that you want to say something about the question of a uniform bill of lading.

## BILLS OF LADING.

Mr. RICHBERG. Yes, sir; I have simply in that connection to make one or two suggestions connected with the matters that have been brought out here in discussion. They are these: that under the various bills of lading that are issued, while there has been competition and discrimination with reference to everything, there has been none with reference to bills of lading. The bills of lading that are issued by all carriers and transportation companies are of such a character as to leave the shipper entirely at the mercy of the company with reference to liability, excepting in a few States like Illinois, where it was necessary, after the decisions of our supreme court, to pass a statute preventing a common carrier from limiting its common-law liability.

## NECESSITY OF UNIFORMITY.

The different States in the Union are not satisfactorily agreed upon the construction of the contract. Some of the States hold that a bill of lading should be governed by the law where it was issued, where the contract was made. Other States hold that it should be governed by the law where it is to be executed. The Supreme Court of the United States having decided the question one way while the court of appeals of the State of New York, where most of our products go, has held another way, there is no uniformity about it.

## EXEMPTION FROM LIABILITY.

Aside from that, carriers both by water and by rail in their bills of lading claim all exemptions that it may be possible to think of, leaving the shipper entirely at their mercy with reference to any liability that they may incur. In other words there is nothing left to them further than the simple fact that he gives his goods and pays their price, except, as I say, in such States where statutes have been enacted preventing a carrier from exempting his liability, and the further question that finally was settled by the Supreme Court (and most of the States have also held in the same way), that the common carrier cannot exempt itself by negligence. That is the only liability, so far as we are aware at present, that a carrier cannot exempt himself from, namely, from his own negligence.

## BILLS OF LADING OF ENGLISH CARRIERS.

But the matter has gone further still. As to the great shipments that have been made to Europe, especially with regard to the cattle interests, the means of transportation are almost entirely in the hands of English companies and English steamships. They have gone so far in their bills of lading that it is impossible for a shipper to obtain any

other bill of lading than such as they present to him. He must accept that or none. In it they exempt themselves from every liability of every kind and nature that can possibly be thought of, and then, with a general clause, they even exempt themselves from liability on account of unworthiness of their ships. Then there is a stipulation that any questions that may possibly arise under the bill of lading or contract shall be determined by English law in England. That was the last exemption clause they put in. These stipulations have been put in all these bills of lading, where freights have been carried across the ocean, since the Supreme Court of the United States, in a leading case, held that the carrier could not exempt itself from its own negligence. The English courts, on the contrary, hold that it can.

Furthermore, under the act of Congress passed in 1851, by which the ship-owner's liability was limited to the value of his interest in the ship, he is liable to that extent and no more. Under the English statutes the ship-owner's liability is limited to about from one-quarter to one-half. It varies in different ships and is based upon the tonnage. That makes his liability much less. Of course that gives a greater advantage to the English ship-owners with reference to exemptions, they absolutely being liable for nothing under the decisions of the court there. It gives them a great advantage over American shippers.

#### UNIFORM BILLS OF LADING NEEDED.

The carrier exempts himself from all liability of every kind. Some of those whom I represent, who are interested largely in shipments, think it would be very desirable to have some action taken by Congress on that subject, so as to give us a uniform bill of lading; or, at any rate, that a law should be passed not limiting the common-law liability of the carrier any more than may be necessary. Those are the only suggestions I wanted to throw out.

Senator PLATT. What exception ought to be made in favor of the carrier from his common-law liability?

Mr. RICHBERG. An exception might be with reference to certain risks that the shipper would assume for possibly a less price, if he desires to assume any; but outside of his common-law liability, the possibility of unavoidable accident.

Senator HARRIS. He would not be liable in case of injury "resulting from the act of God or the public enemy." I believe those are the common-law words.

Mr. RICHBERG. Yes, sir.

#### EXCEPTIONS TO COMMON-LAW LIABILITY OF CARRIERS.

Senator HARRIS. What else would you exempt him from?

Mr. RICHBERG. From unavoidable accident, such as would not occur from negligence.

Senator HARRIS. What accidents would be unavoidable, unless it were an accident "resulting from the act of God or the public enemy?"

Mr. RICHBERG. The breaking of a bridge might be an unavoidable accident and not be "by the act of God or of the public enemy."

Senator PLATT. In other words, you think the law of negligence might be relaxed somewhat if the shipper got the advantage of it and chose to assume the risk?

Mr. RICHBERG. If he would assume the risk in some respects. Those bills of lading, as a general thing, are only issued after the goods are

in the hands of the carrier, so that the shipper is in the hands of the carrier and at his mercy.

Senator PLATT. Is there any business in the United States which is done with so little consideration of the parties as in this matter of freight contracts?

#### POOLING ON BILLS OF LADING.

Mr. RICHBERG. I hardly think so. I can speak more particularly of water carriers now; but the carriers have actually pooled on this question of a bill of lading, so that you have no competition. It is precisely the same whether it is in New York, Boston, Philadelphia, or Baltimore, or in any of the principal ports. So it is also, I think, so far as railroads are concerned. It is entirely a one-sided contract, and it might simply result in this—that a man might have to stop shipments. In a great many instances the matter became a serious and great burden. In fact some of the shippers—if they are small shippers, especially—have no redress at all, and could better stand an increase of rates. Of course, with some strong shippers, where they are very large, losses are made, and they are paid; but that is done to gratify that shipper, and not because of any recognized liability.

The CHAIRMAN. They want to hold on to his custom?

Mr. RICHBERG. Yes, sir.

Senator PLATT. In other words, if a man wants to ship from Chicago or other points he has practically to take the bill of lading that is offered to him or not ship his goods?

Mr. RICHBERG. Yes, sir. In relation to that I can speak from experience, because of representing parties. We have repeatedly refused to enter into any contracts unless certain modifications were made with reference to that clause about allowing our contract to be decided by the English law in England. It simply amounts to this, that we must stop shipments or accept it. In fact we are finally testing that very question now in the United States court.

Senator PLATT. Do you think, if the Government gives a common carrier the privilege of charter, it ought to see that it deals fairly with its customers in the matter of making contracts?

#### GOVERNMENT SHOULD PROVIDE FOR FAIR CONTRACTS.

Mr. RICHBERG. Yes, sir; and such contracts should be made as would be reasonable and just and fair between man and man. Not simply and entirely one sided, as it is now. Almost every employé under the control of the carriers understands it, and it necessarily leads to gross negligence. There is not that same care paid to merchandise that is carried by them that there would be if the liability attached.

The CHAIRMAN. They are independent of the shippers?

Mr. RICHBERG. Yes, sir.

Senator PLATT. The common carriers are held to the strictest construction of the common law with reference to passengers, are they not?

Mr. RICHBERG. Yes, sir; in our State.

Senator PLATT. Why should they be so held in regard to freight?

Mr. RICHBERG. They should be.

Mr. WICKER. I think railroads try to limit their liabilities on their tickets.

Mr. RICHBERG. But the courts have held directly the reverse.

Mr. WICKER. I say to our members, when they bring the subject of releases and guarantees of freight charges and bills of lading to me, that so long as they do not sign the bill of lading themselves, and it is only signed by a railroad agent, the conditions are about worthless. They need not regard them. The common law applies.

Mr. RICHBERG. It does in our State.

### THOMAS WOODASON'S STATEMENT.

THOMAS WOODASON, bellows manufacturer, of Chicago, appeared.

The CHAIRMAN. Where do you do business?

Mr. WOODASON. In Chicago.

The CHAIRMAN. I believe you say you have some complaint against the transportation companies in your dealings with them. State what they are.

Mr. WOODASON. I have shipped considerably all over the country, in small quantities, from Maine to California. My principal business is in New York City and Philadelphia. I have to pay to get my goods, per hundred pounds, boxed or covered—crated—to Philadelphia, 98 cents.

Senator PLATT. From where?

### DISCRIMINATION AS TO DIRECTION OF HAUL.

Mr. WOODASON. From Chicago to Philadelphia, by the Union Red Star line. And the same company brings those very goods, or the same grade of goods, from Philadelphia to Chicago for 54 cents per hundred pounds; in that way giving the manufacturer in Philadelphia a considerable advantage over the manufacturer in Chicago. It is the same in New York. There was a gentleman here, connected with the railroads, who mentioned, as the rate on class freight to-day 40 cents per hundred pounds. They charge me to get from Chicago to New York \$1. I think it is a very unfair thing on the part of the corporations to charge a man in Chicago, for the same freight for the same distance down-hill, more than they charge to run up-hill 500 feet—the same distance and between the same places. I find in talking with other businessmen and manufacturers that they are troubled on the same score as I am. Sashes, doors, and blinds, or anything of that nature, sent from here to New York are charged double the rate to get there that the New York people pay to get their goods here by the same road.

The CHAIRMAN. What excuse do they give for that double charge for bringing goods this way that is made for taking them the other way?

Mr. WOODASON. I do not know. Not two years ago, in shipping goods from Philadelphia, I shipped a large quantity of goods to Chicago which is entitled to first-class rates. My shipping bill declared what the goods were. I went and got a bill of lading in Philadelphia at the office, and I presented it here. When I came to pay the freight they charged me first class on everything. I went to the office in this city and made complaint, and a gentleman asked me to call again in a few days and he would look it up. I called again. And then he asked me to leave my bill of lading with him to send to Philadelphia to inquire about it, because that was a matter for the Pennsylvania Company, and not for the company here. I told him that was all right, and I let

him have the bill of lading. It came back again, and he showed it to me one day and said there was a mistake on their part, and it was done there; that he had nothing to do with it.

The CHAIRMAN. Do you receive any rebates?

Mr. WOODASON. No, sir; they are a curse to the people.

The CHAIRMAN. Do you believe they ought to be prohibited by law?

Mr. WOODASON. Yes, sir; but this was not charged as a rebate, in the first place. It was an error in an overcharge, and they would not refund.

The CHAIRMAN. You wanted to have it made out at correct amount.

Mr. WOODASON. They altered the bill of lading from what I was entitled to by their own classification. Some goods were bellows. Some were first, some third, and some fifth rates, and they charged the first rate. I never got my money back.

#### IMPROPER CHARGES ON BAGGAGE.

There is another point in connection with the passenger travel that I have noticed, in traveling about the country a good deal. I noticed it in Montgomery, Ala., a few weeks ago, and here in Chicago. I was coming in on the Baltimore and Ohio train. The train was due here about 8 o'clock in the morning, but we got in about 7 o'clock at night, and I left my trunk in the baggage-car, because it was late, and went home. I did not take my trunk with me that night. The next day I sent down for it, at about 11 o'clock. They charged me 48 cents; and so the man came back and told me about it, and I went down myself. They gave me a receipt for 48 cents, and I told the man in charge the circumstance. He said, "This is my rule; all baggage must be taken away within twenty-four hours, or freight rate will be charged." So I said, "This train has not been in twenty-four hours; it did not get in until 7 o'clock last night." "Well," he said, "it should have been in at 8 o'clock in the morning." But I had to pay my 48 cents to get my trunk, anyway. That is a part of the railway case which I think this commission should see to.

#### SAME RATES ON LAND AND WATER, WITHIN A GIVEN RADIUS.

Then, again, in our shipments for any distance, I think it would be very profitable, and in the interest of the people at least—I am speaking of the interests of manufacturers—if we had a radius in which a manufacturer should be allowed to ship at the same rate on land as on water. They allow a manufacturer to ship by measurement in eastern cities to Europe, and not by weight. I think that we should combine the two on land. It would be a great advantage to the manufacturing interest. They ship by the square foot in a great number of instances. I think something could be done in this land, possibly, to great advantage. Again, I think, taking a radius of 100 miles, a package could be taken the first 100 miles, 100 pounds for 25 cents, anyway. Again, make the next distance 200 miles, and raise the price a little. And again, of 300 miles; and so on, so that we could get 100 pounds of freight carried 1,000 miles for 75 cents or \$1. To-day I am paying 40 cents to Saint Louis. Other shippers in this city can get their goods taken down there for 16 cents. I pay 40 cents there on boxed goods. To Montgomery, Ala., it is \$1.48; to New Orleans it is 94 cents. They will take it right through for that rate, 200 miles further.

## ADVANTAGES OF EASTERN OVER WESTERN MANUFACTURERS.

I find, in shipping goods, there is inequality about it; and the eastern manufacturer has a great advantage over the western one; while the western men, by their shipping car-loads of grain and wheat and other things, ought to have an advantage there. It has done injury to the small manufacturer of the West.

Senator PLATT. How about small and large manufacturers at the West? Do you think you get the same advantages as the large manufacturer on the same class of shipments?

Mr. WOODASON. No, sir; he gets a rebate. Some get a rebate on their shipments, and some on the monthly amount of business they do.

Senator PLATT. What circumstances does a man have to find himself in in order to get a rebate?

## REBATES.

Mr. WOODASON. If he ships in large quantities he makes private terms with the company on account of having a manufactory on their road. Some roads will give a manufacturer an interest if he will come and build his factory alongside of their road. The large manufacturer has a great advantage over the small manufacturer, as far as railway shipping is concerned. As an instance, sometimes I have to pay freight on my goods where I ship to large firms in New York. Instead of paying the freight on my goods here in Chicago I let the goods go through and they pay the freight, by which I save about 25 or 30 cents on a hundred pounds, because they get a rebate and give me the benefit of it. That is the way I have to do business with Henry Worthington and other large firms in Eastern cities.

## ADELBERT HAMILTON'S STATEMENT.

ADELBERT HAMILTON, lawyer, appeared.

The CHAIRMAN. If you have any line of thought on the subject under investigation, please proceed and let us hear it.

## REASONABLE AND EQUAL RATES.

Mr. HAMILTON. I come in contact with questions concerning railroads in my practice, which is almost exclusively in railroad law, and I have tried to make something of a specialty in the study of the railroad problem, and particularly of railroad rates. I do not find that there is so much need of law. We have the well-settled principle of common law that rates must be reasonable, and that they must be equal. I find, however, that there is considerable difficulty when it comes to the matter of a remedy. It is true that shippers can go into the courts and get damages, or they can get an injunction, or they perhaps may get the remedy by mandamus. But there are many cases where the amounts involved are small, and the discrimination, perhaps, on a single shipment of 100 or 200 pounds amounts to nothing but a few cents as to that particular shipment, but which discriminations, in the aggregate, amount to a very large sum. In such cases remedies in the courts are too expensive, and the amount too small to warrant a suit. I think to reach such cases as that there is need of some tribunal where a complaint and a brief statement of the facts can be made, and an investigation can be had—if there are enough complaints of that kind to warrant it.



## A NATIONAL COMMISSION.

I judge that there is need of a commission from the fact that the commissions established in Kansas and in Iowa and Illinois and New York have been given a great deal to do in the way of adjusting complaints. Within three or four years in Iowa and Kansas (the Kansas commission is a new one and the Iowa commission a later one), I think there have been fully as many as five hundred or perhaps six hundred complaints made before those commissions, showing that the people appreciate the fact of having a tribunal to take their complaints to and have them examined in a comparatively inexpensive way.

## DISCRIMINATION AS TO DRESSED BEEF.

The second question, as to the reasonableness of the rates now charged by railroad corporations for local and through traffic, suggests one instance to my mind to which I want very briefly to call the attention of the committee, and that is with reference to the discrimination in the rates on dressed beef going from this city to the East. The facts in that matter are briefly these: A large traffic has grown up in the shipment east of live cattle in stock cars. The Pennsylvania system has a very large equipment of stock cars, and there are stock-yards along the line. That is true, I believe, to a large extent on the Lake Shore; and up to within the past few years most of the cattle consumed in the East have been shipped there alive in stock cars, mostly over the Pennsylvania lines, and perhaps over the Lake Shore too.

Within a few years past, however, there has grown up a different method of forwarding beef to the East. It is sent in refrigerator cars after the beeves have been slaughtered and dressed. That traffic is known as "the dressed beef traffic." I think in 1882 there were about 400,000 head of beeves slaughtered and sent to the East in refrigerator cars. In 1883 there were about 700,000 head, I think. The business grew very rapidly, and the dressed beef was sent over different lines from the lines that had carried live cattle. The dressed beef, for example, went over the Grand Trunk, whereas, if it had gone as live stock, it would have probably gone over the Pennsylvania.

The result was that the live-stock shippers found their trade falling off, and the railroads that carried live stock found that a much smaller proportion of beef that went to the East went over their lines. There was a strong pressure brought upon Commissioner Fink of the trunk line pool by live-stock shippers and by the Pennsylvania road, and the Lake Shore and other roads interested in the carriage of live stock to get him to advance the rates on dressed beef with a view, if possible, of somewhat hampering the dressed-beef traffic and lessening the competition between the dressed-beef men and the live-cattle shippers. Rates at that time on dressed beef were 64 cents per hundred, while on live cattle they were 40 cents per hundred. Mr. William Stewart was one of the most aggressive railroad men in the movement to advance the dressed-beef rate, and wrote Commissioner Fink, asking that the dressed-beef rate be considerably advanced, and gave it as his opinion that when the live-cattle rate was 40 cents per hundred, the dressed-beef rate ought to be at least 144 cents a hundred, being an advance of more than double the dressed-beef rate.

## THE CONFERENCE AS TO DRESSED BEEF AND LIVE STOCK.

The matter was discussed somewhat and it was arranged that a conference should be held between the dressed-beef shippers and the rail-

roads that were interested in the dressed-beef traffic, and live-stock shippers and the railroads interested in the live-stock traffic, and such a conference took place at the Windsor Hotel in New York, in April, 1883. The object of that conference was stated in a very few words, which I want to read to the committee, by Mr. Fink, who was chairman of the conference. He refused to consider it in any wise as a railroad question. He took the position that it was not a railroad question at all; and he states the object of the conference in these words:

#### VIEWS OF COMMISSIONER FINK.

"We are to consider how to place the dressed-beef and live-stock shippers upon an equal footing, so that a man who buys in an Eastern market dressed beef that is shipped from Chicago as such, and dressed beef that is derived from live stock which is shipped from the West and slaughtered here, will have to pay the same money per pound. That is the problem we have to solve."

His object was not to find out what was a reasonable price to charge for the carriage of dressed beef, but if possible to fix the market price of Chicago beef in the New York market and the beef that was slaughtered and dressed at New York. Perhaps I am not right about it, but I never could see any other object in that movement, as stated by Commissioner Fink, than to step into the market and regulate the price of beef. He explicitly refuses to consider the railroad phases of the question, and states his object to be to regulate the price of beef so that the man who buys a pound of Chicago beef and the man who buys a pound of New York beef will have to pay the same money per pound.

Senator PLATT. In other words, if the dressed-beef man could sell his meat in New York at a cent a pound less than the man who dressed his beef there, they would pay the cent a pound on the freight and so equalize the trade.

Mr. HAMILTON. Yes, sir; that is just what I understand it to be. The investigation proceeded and led to a recommended advance by Mr. Fink of 13 cents per hundred. He recommended that the rate on dressed beef be advanced from 64 to 77 cents per hundred pounds. That recommendation lay by for a year and was never adopted by the roads in the pool. Shortly after that recommendation was made one firm here, Messrs. Armour & Co., examined the matter with some degree of thoroughness, and in a paragraph, which I want to read (it is brief), they correctly indicated their impressions as to the justness of that recommendation.

#### VIEWS OF ARMOUR & CO.

"Nor can we believe"—this was an argument made by Armour & Co. and was published in the daily press, from which I copy—"it is within the province of railway companies to establish such a rate upon dressed beef so as to make the price of beef dressed in Chicago equal to the price of beef dressed in New York. In other words, to oblige a man who buys Chicago dressed beef and New York dressed beef to pay for each the same money per pound. It is undoubtedly true that the selling prices of all commodities are largely affected by the cost of carrying them to the markets, such costs usually being included in the prices demanded of purchasers. But that the prices of transportation over public highways are so to be established and regulated as to equal-

ize in the public markets the selling price of the commodity carried is certainly a novel and startling doctrine."

That was their opinion at that time of the purpose expressed by the commissioners in the Windsor Hotel conference.

The CHAIRMAN. And it is undoubtedly their opinion yet?

#### ELEMENTS AFFECTING RATES ON DRESSED BEEF.

Mr. HAMILTON. And it is probably their opinion yet. I got the facts together with a great deal of diligence, with a view of finding out what was a reasonable and proper rate upon dressed beef. I found this to be the fact; that dressed beef was carried in a very much heavier car than live stock. I think a refrigerator car weighs about 30,000 pounds while a live-stock car weighs only about 20,000 pounds. There are some other facts which affect the cost of carrying dressed beef as compared with the cost of carrying live stock. From all the facts that I could gather it is right that dressed beef should be charged perhaps 50 per cent. more per hundred than live cattle. An increase of 50 per cent. would make the rate on dressed beef 60 cents per hundred. That is, when the rate on live cattle is 40 cents, 50 per cent. additional on dressed beef would make a 60-cent rate.

If the facts are reliable which I could get, and I think they are, there has been a discrimination against dressed beef of about 10 cents per hundred. The rates since last October have been 70 cents per hundred.

#### AGGREGATE YEARLY DISCRIMINATION \$500,000.

There are probably 500,000,000 pounds of dressed beef shipped annually from Chicago to the East, and that discrimination at 10 cents per hundred would amount in the aggregate to about \$500,000 a year. The rate of 70 cents certainly ruled until the 1st of last May. Since then the trunk line pool has expired, I believe, by limitation of its contract, and what the rate is now I cannot say.

Senator HARRIS. Do you know what proportion the weight of the ice carried on a refrigerator car bears to the amount of the dressed beef carried in the same car?

Mr. HAMILTON. The cars start out, I believe, with about 4,000 or 5,000 pounds of ice. That gradually evaporates during the journey from here to New York, and I think the average that they carry is about 3,000 pounds of ice on the running trip. It is somewhat less than 3,000 pounds when it gets to New York and somewhat more than 3,000 pounds when it leaves Chicago.

Senator HARRIS. To how much beef?

Mr. HAMILTON. A car-load of beef weighs about 21,000 or 22,000 pounds; perhaps 21,000 pounds is a fair average. I think perhaps one-seventh of the weight of the load is ice.

#### UNFAIR METHOD OF COMPUTING DRESSED-BEEF RATES.

Speaking of ice reminds me of another fact to which I would like to call the attention of the committee, and that is this: During the transportation of live cattle certain hay has to be purchased to feed them, and there are the expenses of attendance. A man has to go along and look after them. During the transportation of dressed beef there are also certain expenses—ice and one thing or another that have to be carried. Now, that expense for hay and attendance and for

ice is all borne by the shippers themselves. The live-stock shipper buys his own hay of whomever he pleases; never, I believe, of the railroad company; and he hires his own man and pays his salary; and the dressed-beef man furnishes his own ice, buying it of whomever he can. Notwithstanding the hay and the attendance and the icing are all bought and paid for by the shippers of the live stock and of the dressed beef themselves, notwithstanding it did not cost the railroad company a single cent, yet in the computation made by Mr. Fink in fixing the rate on dressed beef a portion of the expenses paid by those shippers for icing and for attendance and for hay was added to the dressed beef rate, thereby making it pay twice for a portion of those extra expenses, once when they paid for the hay or bought of third parties and once when they paid their railroad rate.

That is all that I wanted to call the attention of the committee to with reference to that matter. I will say this, that it is getting late, and I have no doubt the committee are tired, and I can very conveniently break right off here.

Senator HARRIS. We would rather have you make the suggestions of your complaints, without elaborating them too extensively.

Mr. HAMILTON. That was the only matter I wanted to elaborate at all.

#### PUBLISHED RATES AND NOTICE OF CHANGE.

As to whether published rates should be required by law, and whether changes of rates without public notice should be prohibited, I think published rates, so far as possible, ought to be required. I think that any shipper ought to have the right to go to a railroad company's general freight office and find out not only what rates are generally, but what rates his neighbors are paying for the transportation of their property. I do not see, if he cannot find that out, how he is to protect himself from injustice.

#### MAXIMUM AND MINIMUM RATES.

The advisability of establishing a system of maximum and minimum rates for the transportation of interstate commerce I would favor. I think it is advisable. And I have always believed that if it were proper, if it were right, if it were the duty of the Government to protect people against extortionate rates (rates that are too high), it is correlatively the duty of the Government in some reasonable and proper way to protect the railroad companies against rates that are too low. It would be done in a measure by the establishment of minimum rates.

#### ELEMENTS ENTERING INTO COMPUTATION OF RATES.

Regarding the elements that enter into the computation of a rate, one very great element is the matter of competition. I do not so much allude to competition among railroads, although that is a very important matter, as to competition among products. Let me illustrate that briefly. I have in my office some statistics regarding the cost of producing wheat in India. They are in an argument, which appears to be very carefully written by a gentleman in Calcutta, and which tends to show that the farmer in India can produce wheat at about one-half the cost per bushel that the farmer in Dakota can produce it, for instance.

## AMERICAN AND INDIAN WHEAT IN COMPETITION.

Suppose we have a large surplus wheat crop in this country, and the East Indian also has a large surplus wheat crop, and he ships his wheat crop to England. It can there be sold at a price, we will suppose, very much below what our American farmer can sell his wheat for. Now, either the American farmer has got to keep his stock on hand and not sell it at all, or else he has got to go over into England and compete with that East Indian farmer and the cheap priced wheat produced in India. If he sends that wheat to England to compete with the Indian wheat he must have a railroad rate (I think he ought to have such a railroad rate) low enough to get it there, if possible, in fair competition with the Indian farmer. I just suggest that point; I will not undertake to discuss it farther than that.

Senator PLATT. Will you go so far as to say that the railroads ought to carry it to New York for nothing, to enable the farmer to get it there, and then recoup on the local trade?

Mr. HAMILTON. I would not go so far as that. I do not think it would ever be required of them to carry it for nothing.

Senator PLATT. I saw that Russian flour had been put in New York as cheaply as American flour, the other day. I do not believe it, but I saw that statement made.

Mr. HAMILTON. It is a fact that I am not familiar with. I should be in favor of being liberal in rates toward the farmers, so as to give them a chance to get their products on the market; and it might be possible that circumstances might compel a railroad company to carry at something less than cost; and if they were compelled to carry at something less than cost I think they ought to be allowed to recoup on articles that would bear a higher rate of transportation, say the luxuries of life, such as silks and laces, and such matters as were mentioned here this morning.

Senator HARRIS. Do you not give up the whole principle when you require the common carrier to carry for the American farmer at less than cost?

Mr. HAMILTON. There is a broad difference in my mind between carrying things of price—

Senator HARRIS. It is only a difference in degree.

Mr. HAMILTON. Yes, sir.

Senator HARRIS. The principle is exactly the same.

## REBATES AND DRAWBACKS.

Mr. HAMILTON. That may be. You ask, should any system of rebates and drawbacks be allowed? Unquestionably no. I think that matter has been very thoroughly discussed by Mr. Wicker, whose views I heartily indorse.

## POOLING.

Another question is, should pooling contracts and agreements between railroads doing an interstate business be permitted, or should they be entirely prohibited? The objection I have to pooling is that when a pool is established the guarantee which we have of reasonable rates is entirely taken away. If the pool is strong and effective, we have no guarantee that the pool commissioner or the executive committee of the pool may not establish rates that are highly unreasonable and extortionate. I think if pools are permitted at all it ought to be with governmental supervision of the rates made by the pool.

## S. M. BOOTH'S STATEMENT.

S. M. BOOTH, journalist, appeared and said :

I am a sort of a free lance now. I edited a newspaper twenty-one years in Milwaukee, and am known to the public of the old time as the man who served the Government in the custom-house a year and ten days because I was a heretic, and believed that every man had a right to himself and to the fruit of his own toil—a very good orthodox doctrine now, but a great heresy twenty years ago.

The CHAIRMAN. Never mind that now ; we do not want to encumber the record with the doctrine in that case. Confine yourself to the matter in hand.

## REPLY TO QUESTIONS IN CIRCULAR OF COMMITTEE.

Mr. BOOTH. My answer to the formal questions, which I only got last evening, is that the duty of the Government, I think, is to establish a railroad commission with ample discretionary power to fix maximum rates for freight and passengers, which should be made public and not be changed without thirty days' notice, or some sufficient previous notice. Give shippers the right to select the lines over which their freights shall be carried. Make the unit of freight a single car-load or 100 pounds, and give no concessions to large shippers, no rebates and no drawbacks. Prohibit charging more for a short haul than for a long haul, save in exceptional cases at the discretion of the commission. Prohibit pooling and the granting of free passes or checks to legislators, judges, and all public officers. Require uniformity of accounts, and cause public annual reports, giving definite information as to the equipment, running expenses, operation, and general condition of a road, to be published, and punish the issuing of false reports by the severest penalties.

In determining what is a reasonable rate for transportation, watered stock and fictitious bonds should not be considered, but base it upon the actual cost of the road, or what it could be duplicated for to-day. Not one house in twenty now makes a dividend, and most are now content to meet expenses. Let the railways share the burdens which depress all kinds of business. Make the system of control as elastic as is consistent with security and sufficiency. But do not make it so loose that a train of cars half a mile long can run through without colliding with something or somebody. Provide above all for prosecuting vigorously all infringements of the law, and enforcing its penalties at the public expense, without cost to the complainants.

Senator PLATT. You mingle a good deal with what may be called the common people of Chicago, and perhaps outside of Chicago. What do you think the public sentiment is with regard to the management of railways as regards the public interests ?

## THE VOICE OF A REPRESENTATIVE OF THE PEOPLE.

Mr. BOOTH. I would like to say just this, if the committee please. I have heard or read all that has been said here on the subject. You have had the testimony here of business men, capitalists, railroad men, railroad commissioners, and pool agents, chiefly upon three points. The conduct of railroads as common carriers, the propriety of controlling

interstate commerce by the Government, and what kind of legislation is desirable, if any should be enacted. I would like to say one word as a common representative of 50,000,000 of people who pay the running expenses of these people, and whose labor creates the capital which makes possible such great houses as Marshall Field & Co., J. V. Farwell & Co., such institutions as the Chicago Board of Trade, and such gigantic corporations as the trunk lines, most of which control 4,000 or 5,000 miles of railway.

There are always enough advocates ready to represent these large associated interests, which combine and pool their issues whenever any legislation is proposed that seems likely to modify or limit their pet doctrine, "May I not do what I will with my own, my own money or property or business or railroad?" But the uncombined and scattered multitudes, whose time is fully occupied in furnishing food and clothing and shelter to those dependent on them, have little leisure to discuss this question, and few friends to represent their interests.

They do not yet fully understand where and what the Government is. They have a general notion that it is located at Washington, and they have heard that a section of it, and a very important section of it, is traveling through the country listening to the complaints of the shippers of produce, and that just now this section has its ear-trumpet at room No. 44 in the Grand Pacific Hotel. This large class, segregated, without much influence, are fast learning (they have not yet fully learned it) that they are the Government. And when they learn that they are the Government, and that they need not crane their necks to see it, nor make a pilgrimage to Washington, or even stir out of their tracks to find it, but that it stands in their shoes, ready to do their will, their voice will be the governmental voice, and like the man in the Scripture, clothed with authority, they will say to this unfaithful public servant, "Go, and he goeth," and to this competent and trustworthy man "Come up and take his place, and he cometh," and to a Senatorial commission like this, "Report in favor of a governmental commission to control railways," and it will be so reported.

Now I feel great embarrassment, gentlemen, in saying what I think ought to be said to this commission, because in the estimation of Congress, if not of this commission, society rests mainly upon the rich, upon the few large business houses, and upon the exchangers and handlers of value, the men who act as middle men between the producer and the consumer; and when these men are well provided for the country is safe and the law-making power has done its whole duty. These men are regarded both as the basis and the index of our national growth and prosperity. And in the current opinion society would be topsyturvy indeed if the toiling millions on the farm and in the workshop, the farmers and artisans who create the wealth of products which the railroads and the middle men handle, were to be regarded as the basis and primary source of our national wealth, and were actually legislated for on this principle. These other classes, which now loom up on the horizon and fill all the vision of the Government, were viewed as the foam on the wave, the mere surface indication of the mighty living forces beneath and around them, which convert the wilderness into fertile fields, build our cities, whiten the seas with the sails of commerce, and round out the chorus in the grand national anthem of progress, blending peace and good will. Now, these millions for whom I plead not only laid the foundation of our national prosperity, but they built the superstructure, and every brick, stone, and all the rough material from the corner-stone to the top stone are the work of their hands.

## THE COMPLAINT OF THE PEOPLE.

The CHAIRMAN. I do not want to interrupt you ; but on what grounds do you think the people, the common plain people of the country, have now to complain of railroads ? That is the practical question.

Senator HARRIS. These producing millions of whom you speak ?

Mr. BOOTH. They complain because they pay all the expenses, all this cost that goes to the middle men ; and all they complain of comes out of them in the end ; they are the ones.

Senator PLATT. Do they think that the railroads are getting too much now for passenger and freight traffic ?

Mr. BOOTH. I do not know that they do now. I think that the struggle now is to keep body and soul together among the great mass of the common people ; to not run in debt any more than they can help ; to keep alive. But there is this feeling among the common people, that not only the railroads, but all these interests, these merchants, these business men, are all connected together ; that the legislatures, the judges (I speak of what they feel) all have railroad passes in their pockets. "The gift perverteth the judgment." So that the common people feel that those classes are banded together against them. I speak now as one having nothing to do with the socialists. I never go to their meetings, and I have no sympathy with communism, or anything of that kind ; but I was brought up a farmer, working on a farm until I was twenty-one years old ; and worked my way, starting to fit myself for college with \$2.40 in my pocket, which was all the capital I had ; and when graduated at Yale I had \$100 in my pocket, in 1841, made with my own help and by my own work.

Senator PLATT. I know, from mingling with the people, that a large portion of what you may call the common people of the country feel the same as you represent. Perhaps I should say that you might possibly exaggerate that feeling ; but to a certain extent there is that feeling. Now, is there a foundation for it in the actual operation of the railroads to-day ? That is the question I want to ask. If there is, it ought to be remedied, and if there is not, the people ought to know it, and see that they are mistaken.

## RAILROADS NOT NOW MAKING MONEY.

Mr. BOOTH. I do not believe that railroads now are getting more than a fair compensation. That is my belief about it. I think some of them are losing money. I think some of them ought to lose money. I think there has been an over-production of railroads, and that the public should not be made to make up the losses of these men.

Senator PLATT. Do you think that they so distribute what may be called the burden of taxation (for what is paid to the railroads is taxation) that it bears unequally upon the poorer classes ?

## BURDEN OF RAILROAD TAXATION UNEQUALLY LEVIED.

Mr. BOOTH. Yes, sir ; they do. And now the people, the common people, feel in regard to this commission that they do not care anything about them. They do not ask anything about them. They look over your record and they see these men, Marshall Field & Co., and all that class of men, and board of trade men, whom the people, the masses of the people, look upon as speculators ; and a large portion of them (I might as well talk it right out) they look upon as gentlemanly gamblers ; the great body of them. Not those who do a legitimate commission business, and confine themselves to that ; but the great mass of them are gambling in wheat and corn every day.



Senator PLATT. My experience as a Senator has led me to think that the common people mistake a little——

Mr. BOOTH [interposing]. That may be.

Senator PLATT [continuing]—when they suppose that legislators are not interested in their welfare; and I would like to do away with that impression——

Mr. BOOTH [interposing]. So would I.

Senator PLATT [continuing]—which prevails in the community. Therefore I ask this question.

Mr. BOOTH. I never have fostered it, or spoken in a public meeting or said a word to that effect.

Senator PLATT. I therefore would ask this question, whether there is a ground of complaint, specifically, on the part of the common people toward the railroad management of the country, and, if so, what it is? That is the practical question.

Mr. BOOTH. I think railroad management has greatly improved within a few years. I can name a road here; I have been familiar with it for twenty-five years. There is one road that is a model road, as a passenger road here. I think it the best managed road in the country. I have during twenty-five years ridden over that road and paid my fare everywhere through five States, and I have never seen an instance of unfair or uncourteous or ungentlemanly conduct on the part of its conductors. They are a model set. They treat their passengers as though they were visitors in their own households. I have seen them go out of their way ever so far to accommodate them. That road is the Chicago and Northwestern. I do not say a word against the others. The others may be just as good; but this one I know about. I have had it in my mind for years, and have thought I would say a word for the railroad if I had the opportunity. I am under no obligation to say a thing, but I have seen this, and I can say it is a model road as to their passenger management. I know but little about their freight department.

#### A NATIONAL COMMISSION.

Senator HARRIS. The duty devolves upon this committee not to inquire into the general phases of political economy, but to inquire whether the present condition of the business of this country demands that Congress should legislate for the regulation of interstate commerce. Now, from your knowledge of the carrying trade, affecting, as it does, the interests of the producer and the consumer mainly, and possibly to some extent the interests of the middle men, do you think it would be wise and proper for Congress to legislate upon that subject at all?

Mr. BOOTH. I do.

Senator HARRIS. Will you be kind enough to indicate to us what sort of legislation you think would be proper?

Mr. BOOTH. I cite this one fact, which, to my mind, is conclusive proof of the absolute necessity of a Congressional commission to protect the people of this country against the unjust discriminations, exactions, and extortions of transportation companies. It is this:

#### DESPOTIC POWER OF RAILROADS SHOULD BE CHECKED.

A few trunk lines to-day, combined without legislative check or control, by their tariff as common carriers, can fix the price of the products of all the farms, factories, mills, and workshops in the country. They can also fix the price of the labor of the men employed in these industries throughout the Union. They stand at the very gate-way of

the issues of life, and can exact such tolls as they please from 50,000,000 of people. That is a fearful power, which never should be delegated to any man or any set of men, in any government, republican or despotic; and it is the duty of Congress to pass such laws as would forbid the exercise of such a power.

#### POWERS OF THE COMMISSION.

The CHAIRMAN. You have indicated that you think a national commission ought to be appointed. What should be the powers of that commission, in your judgment?

Mr. BOOTH. That would be for Congress to say, in my judgment.

Senator PLATT. Substantially, you gave your ideas before.

Mr. BOOTH. Yes, sir. The Supreme Court of the United States has settled that question; that is, they have determined that those companies are common carriers, and that they are subject to regulation and control as such; and, of course, that the Government has the power either to establish by law reasonable rates, or by commission, or by such method as it pleases. That is their power. I say Government should appoint a commission with large discretionary power. I would give them power to examine and settle questions in regard to rates, and I would let the railroads appeal from their decision, if they chose.

The CHAIRMAN. They could go to a court?

Mr. BOOTH. Yes, sir; I think this is the golden opportunity.

Senator HARRIS. You would make the decision of the commission *prima facie* evidence of its reasonableness and fairness?

Mr. BOOTH. Yes, sir; I would.

I want to say one word more about the people. They are not as they used to be. The people now living at the extremities of the Union, thousands of miles apart, are brought into close neighborhood by the marvelous agencies which have annihilated space and time, and pinned to lightning's wings the news, that we may know the price of corn, may know who is buried, dead, or born, from Greenland's gate to the Orient, ere time can tie its tardy shoes. And they are electrified by intelligence, which lifts them far above the plane on which their fathers stood; and never more will they be dominated by the one-man power in this country. And their voice to this commission, as I interpret it, is like the voice of God to Moses going to speak to the children of Israel—that they go forward; and the Red Sea parted on either side, and the chosen people went over dry shod out of Egypt, on their way to the promised land. These people say, and I say to this commission, go forward and build. Pass such legislation as will create a commission; that it shall stand like the flaming sword with the angel at the Garden of Eden, and do justice impartially to the railroads and the people.

The committee then adjourned, to meet at Saint Louis, at 10 a. m., June 17, 1885.

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SAINT LOUIS, Mo., June 17, 1885.

The CHAIRMAN. Gentlemen, we are here as a committee from the United States Senate, for the purpose of investigating the subject of the regulation of commerce between the States. Probably all of you gentlemen have seen enough of what we are doing to know the general scope of our investigation. We have been in the habit, as we pass into different States, of first hearing the railroad commissioners of the State in which we find ourselves, by way of opening the discussion, either

hearing the chairman of the board, or each member of the commission, as may be desired. We will first hear Mr. Pratt on the state of things in Missouri, what your law is, and its operation, and the progress that you have been making in the regulation of transportation by railroads, and in addition anything you have to say in relation to waterways.

### GEORGE C. PRATT'S STATEMENT.

GEORGE C. PRATT, chairman of the railroad commission of Missouri, appeared and said:

I am not a lawyer by profession, and am in no way practiced in public speaking. My profession has been one which has made me a man of action rather than a man of words.

### THE MISSOURI COMMISSION.

In regard to our law in this State, it contemplates three things. One is the collection and distribution of information on the subject of railroad transportation, and another is a supervision of the structures, to see that the roads are in such a condition as to secure safety to life and property in transit. Another is the regulation of rates. It contemplates those things distinctly.

The CHAIRMAN. What do you mean by the regulation of rates? Do you mean that you make schedules for the transportation companies, or do they make them and you supervise them?

Mr. PRATT. I was going to say that on that subject our law is defective. It intended to give the commissioners control of rates; that is, to enable them to fix maximum rates on any article of freight. That was evidently the intention of the framers of the bill. But, in its passage through the legislature, that part was amended until it was mangled; and the law in that respect is defective. The law creates eleven classes of freight, and specifies what articles shall go in some of those classes, and fixes rates on several of those classes, but not on the others.

Senator HARRIS. The act itself fixes rates on certain classes?

Mr. PRATT. Fixes rates. The act divides all freight into four general classes, and seven special classes, making eleven altogether. It fixes rates on the seven special classes, and it places a few articles in each one of those seven special classes. It does not fix any rate on any of the four general classes; nor does it place any articles in them. Then it provides that the commissioners may classify all freights into either of the classes, general or special.

The CHAIRMAN. Whatever articles are not specified in the act you put into one class or the other?

Mr. PRATT. Yes, sir; one class or the other. Then it provides that the commissioners can reduce rates on any of said classes. The intention was that it might reduce rates on any class. It may fix a maximum rate, and reduce it on the rates fixed in the act on those seven special articles.

### CONTROL OF RATES.

The CHAIRMAN. Do you exercise that general authority of reducing the rates on all?

Mr. PRATT. Under the advice of the attorney-general we finally have exercised the right of reducing rates on any class; that, however, has never been fully admitted by the railroad companies to be the law.

The CHAIRMAN. Is it controverted in court?

Mr. PRATT. It has never got into the courts; it has never been decided by the courts yet. That is about the way we are situated. In addition to what I have said on that subject, however, I will state that the classification itself is not effective. The law, in making those classes and in authorizing the distribution of freights into those classes, makes some restrictions. For instance, we cannot change class H, which is the live-stock class; we cannot put anything into it or take anything out of it; it is the same as to class D, which is the grain class. Then there are two other classes which we are forbidden to touch at all, so that it is an impossibility under our law to make a complete and perfect classification of freights, or even get a system of rates. In that respect, then, our law is defective in regard to the matter of rates, and we have to work along the best way we can. We have succeeded in reducing rates on a great many articles.

#### ACQUIESCENCE OF RAILROAD COMPANIES.

Senator HARRIS. Where you have reduced rates below the rates fixed by the transportation companies, have the transportation companies acquiesced in, and conformed to, the rates fixed by the commissioners?

Mr. PRATT. Sometimes, yes, sir; and sometimes no; as a general rule now, however, they are acquiescing. We have been very careful never to require a reduction unless it can be shown to be perfectly and entirely reasonable and just and equitable. Hence our dicta has come to be respected, and generally they now acquiesce.

The CHAIRMAN. It is becoming more and more so every day?

Mr. PRATT. Yes, sir; that is about the way the thing stands.

The CHAIRMAN. You have no absolute authority?

Mr. PRATT. We have no authority to enforce our rules. There is the point. In Illinois the commission has that authority, and in Georgia it has.

The CHAIRMAN. In a sense it has. It has the power to make schedules of rates for all roads, and such schedules become *prima facie* evidence of their justness or reasonableness in the court.

Mr. PRATT. Yes, sir; and you can bring it into court, but we cannot. That is left to the party aggrieved. There is another defect.

The CHAIRMAN. That is true in Illinois as well.

Mr. PRATT. Your commissioners bring suits.

The CHAIRMAN. Yes; but they bring them in the name of the parties aggrieved.

Mr. PRATT. We do not do it.

Senator HARRIS. Are the conclusions of your board in respect to a matter investigated by it made *prima facie* evidence in a court?

Mr. PRATT. No, sir.

#### RATES FIXED ON GRAIN AND LIVE-STOCK.

Senator PLATT. You say that the legislature fixes the rates on grain and on live-stock?

Mr. PRATT. Yes, sir. The act says that on all grain in car-loads the rates shall not exceed a certain limit.

Senator PLATT. And you have been able to reduce it?

Mr. PRATT. Yes, sir; we have.

Senator PLATT. I misunderstood you. I thought you said you did

not have any power to meddle with or change the rates on grain or on live-stock?

Mr. PRATT. The railroad commissioners are authorized in another section to reduce rates. We have done that, and we have done it on another class. But we have no authority to enforce that reduced rate. For example, the railroad companies held, in the first place, that the legislature had no right to fix any rate at all. Then, after abandoning that, they held that the legislature had a right to fix rates, but they had no right to delegate that power to the commission.

Senator PLATT. Has that been litigated?

Mr. PRATT. Yes, sir; it has been litigated, but not to the court of last resort. But they yielded that point in part.

#### COMMISSION CREATED IN 1875.

Senator PLATT. When was your commission created; how long ago?

Mr. PRATT. In 1875; ten years ago.

Senator PLATT. What was the public sentiment of the State, at the time of the passage of that law, with reference to the management of railroads?

Mr. PRATT. The public sentiment was just about this: At that time, you know, the country was suffering from extreme depression of prices. Our products here are grain and cattle and hogs. They had gone down to about one-third of their former value. Where live hogs had been worth 10 cents a pound or \$10 a hundred, they went down to \$3 a hundred, less than one-third of the former rate; but railroad rates never had fallen any. Our people never complained of the high rates as long as hogs were worth about 10 cents a pound and beef about the same, and wheat about \$2 a bushel. You see the transportation charge then was a matter of very little importance. But when they went down so suddenly to so low a price the transportation charge began to hurt, and the people began to complain. That was the cause of the movement in our State.

Senator PLATT. Was there what is known as a granger sentiment against railroads in the State at that time?

Mr. PRATT. I do not know what you mean by a Granger sentiment. There is no such thing as hostility to railroads in the State of Missouri. That is, to any extent worthy the name of hostility to railroads or railroad property or railroad men in Missouri, except where individuals have made themselves obnoxious.

Senator PLATT. Was there at the time of the passage of the law? Did the people regard the management of railroads in the State at that time as adverse to their interests?

Mr. PRATT. I do not think so. I think just exactly what I told you; that they thought prices of transportation ought to come down some in proportion to the depression in the price of the articles. That was about all there was of it. There is a good deal of talk all over the United States in regard to hostility between railroads and the people. We have seen something of that in Missouri. I said there was nothing of that kind worth speaking of, except in individual cases. There have been cases here; but they were where men have made themselves obnoxious to the people.

The CHAIRMAN. You mean railroad men?

Mr. PRATT. Yes, sir; who have created hostility. But so far as railroads themselves are concerned, there is no such thing. The people of Missouri have dealt very liberally with railroad companies. We put

fifty millions of our own capital into what railroads we have, and we have always given all the money that was ever asked for, and all the legislation that was ever asked for, and, you might say, all the judicial decision that was ever asked for. We have gone to that extreme. It was because we wanted railroads so badly that we yielded every point, and hence I say the subject of hostility ought hardly to be named in Missouri as coming from the people.

#### CAUSES OF COMPLAINT.

Senator PLATT. Do you think the farming community at present are fairly satisfied with the management of railroads?

Mr. PRATT. There are some causes of complaint. For instance, the local charges in Missouri, in many instances, are so much higher than charges on long hauls that they are complained about.

Senator PLATT. We will come to that pretty soon. But take the average popular sentiment among the producing classes, do you think it is to the effect that the railroads on the whole are treating the people fairly?

Mr. PRATT. There is a diversity of opinion as to that. They think there are a great many grievances that ought to be remedied—a great many evils. So far as the feeling in the community is concerned, I mean exactly what I said at the time.

Senator PLATT. That there is no hostility to railroads?

Mr. PRATT. No, sir; the people think that railroad men do not do exactly the fair thing sometimes, and do not manage their business on business principles, which is true. For instance, here is a general freight agent that will put up the transportation prices on corn at a certain point high enough to stop the shipments. That is a grievance, as a matter of course. Such things are done, and, as a matter of course, they will be noticed and complained of.

#### DISCRIMINATION.

The CHAIRMAN. That is done more especially in connection with the shipment of grain out of the State, is it not?

Mr. PRATT. It is done especially in such cases as that. It is done for somebody's special and personal benefit. That is all there is about it; and anybody can see it.

The CHAIRMAN. You said a while ago that while the prices of corn and farm products were high, it was a matter of very little concern to the producer whether the transportation was one figure or another. What do you think, from your experience and study of the subject as a commissioner, ought to be the basis on which the price of transportation should be fixed by transportation companies? Should it be what the article produced is worth, or should it be the cost of the transportation line, the value of it at the time of shipment?

#### BASIS OF FIXING RATES.

Mr. PRATT. Our experience, and the deliberate judgment formed by us on that subject, is that the line on which fair rates should be adjusted is one which allows a fair profit to the railroad company; and when you have ascertained what will pay them sufficiently on the capital invested, and labor, &c., and the operation of it, and what will meet the improvements which are necessary to an increasing amount of busi-

ness—when all those are well paid for, then that the balance should remain in the pockets of the community in the shape of cheap transportation.

The CHAIRMAN. Your idea is that whatever is a fair remuneration, taking into account the expenses incurred in the transportation, and also the cost of the railroad, if you please, or its actual value at the time, ought to be the basis instead of the question what the article will bear?

Mr. PRATT. That does not count.

The CHAIRMAN. Some of the railroads in the country are capitalized for more than they are worth. Would you take that into account, or would you take into account simply the actual value?

Mr. PRATT. We take into account what the property is worth.

The CHAIRMAN. Without reference to its capital stock?

Mr. PRATT. Yes, sir; there is a very important point right there. I suppose you will come to that after a while.

#### WHAT CONGRESS SHOULD DO.

The CHAIRMAN. In the light of your experience as a commissioner in the State, what is your judgment as to what the action of Congress should be, if any, looking to the regulation of commerce between the States? Have you thought of the question sufficiently to have any definite idea of the kind of law that should be passed by Congress for the government of this question?

Mr. PRATT. That is a subject to which we have not paid any particular attention. But our conclusions, so far as we have investigated the matter, are something like this: That when you have ascertained the principles which underly the matter of governmental control of railroads, the same principles apply to State and interstate commerce. That is, apply in the State and in the nation. It is the question of long and short hauls, in part.

The CHAIRMAN. What is your judgment, coming back to your State again, as to the value of a commission under such a law as you think ought to be passed?

#### A COMMISSION ABSOLUTELY NECESSARY.

Mr. PRATT. I think it is absolutely necessary.

The CHAIRMAN. You think it is absolutely necessary in State control?

Mr. PRATT. That there should be a commission.

The CHAIRMAN. For the purpose of enforcing whatever law there might be?

Mr. PRATT. For the purpose, in the first place, of studying this subject and ascertaining what is the truth in regard to it, in all respects, and devising whatever improvements may be necessary, and finally establishing an equitable system of governmental control over the subject of transportation by railroads. We have come to the conclusion that as to that necessity it is a settled question. It does not need to be argued any longer. But the question now is as to the mode and manner of the exercising of that control; how far it shall go, and how it shall act.

The CHAIRMAN. Then you believe a commission should be provided, if a law is passed by Congress looking to the regulation of commerce between the States?

Mr. PRATT. Yes, sir.

## NUMBER OF COMMISSIONERS.

The CHAIRMAN. Have you thought about the question of what number the commission should consist and what powers should be given to it?

Mr. PRATT. As to the powers, that is a great question. The number of the commissioners we believe should be three. Perhaps it is because that is our number, but we think we have better reasons than that. There should be not less than three. No man can do the work singly. That is utterly impossible.

The CHAIRMAN. Do you think three can do the work for thirty-eight States and nine or ten Territories?

## CONVENTIONS OF STATE COMMISSIONERS.

Mr. PRATT. We have one idea on this subject, and that is, that a great deal of the work of a Government commission can be done by conventions of the State commissioners. One thing Congress might do to advance the thing at once, would be to require the national commissioner—let it be one, as it now is, or you may appoint more—to call conventions of all the State commissioners as often as may be necessary, and to keep before him this question of determining what should be the State and what the national laws upon this subject until that matter is settled.

The CHAIRMAN. Each State has a right to pass such laws as it thinks best, so long as they do not come in conflict with the laws of the United States.

Mr. PRATT. Yes, sir; they should harmonize.

Senator PLATT. Mr. Pratt's idea is that the national commission should co-operate with the State commissions, and to work out laws by co-operation?

Mr. PRATT. Yes, sir; You see when we have determined exactly in what way this governmental control should operate it will be the same in all the States.

The CHAIRMAN. So far as the governmental control is concerned.

Mr. PRATT. And the governments of the different States should harmonize their laws. That is so to say, if the laws should be the same in all the States.

The CHAIRMAN. Suppose the States will not have it that way?

Mr. PRATT. Then they will not, that is all.

The CHAIRMAN. Have they the power to decline?

Mr. PRATT. Of course.

The CHAIRMAN. The point we are driving at is to ascertain what kind of a law Congress ought to pass, if any, looking to the control of the interstate commerce.

Mr. PRATT. My opinion on that subject is decided on one point; and that is what I stated a few minutes ago. You should authorize your commissioner to call conventions of all the railroad commissioners in the States—invite them, and if they will not come, let them stay away—and keep this matter before them. The railroad commissioners ought to understand this subject better than anybody else.

The CHAIRMAN. That is why we invited you gentlemen to come here, and tell us what you could.

Mr. PRATT. They should know better than the best railroad men, better than the best business men anywhere, or the best legislator, if you choose. It is their business to understand this subject, and if they



do not do it it is their fault. Put them on their mettle on this subject until you find out whether they can recommend anything.

The CHAIRMAN. In the first place you have to create a commission in order to put it on its mettle.

Mr. PRATT. You have a national commissioner.

The CHAIRMAN. No, sir; only one whose chief duty it is to look after Government subsidized roads. But do you believe that just one man for a national commissioner is all that is necessary?

Mr. PRATT. No; I do not. The number should be increased.

The CHAIRMAN. The Senate of the United States passed a bill providing for nine commissioners, one for each judicial circuit, on the theory that one should be appointed from the different sections of the country, representing the particular circuit in which he lived. Then the whole number formed one board. Do you think that would be too many?

Mr. PRATT. I am not prepared to say exactly what the number ought to be, but I would not object to that number at all.

The CHAIRMAN. Of course we have no control over lines that begin and end in your own State, and the business that begins and ends in your own State. Our inquiries must appertain, therefore, to commerce that goes out of your State into another, or comes into it from another State. If there are any complaints that the people make against the transportation companies engaged in that kind of transportation, tell us what they are.

#### LONG AND SHORT HAUL COMPLAINTS.

Mr. PRATT. The question of rates is the one that is first noticed, and is the one which hurts; and there is more said about that and more complaint made of that than anything else.

The CHAIRMAN. Is there any extortion in your State?

Mr. PRATT. As I said a few minutes ago, there are complaints that the charges for long hauls are much lower, in comparison with the charges for short hauls, than is equitable and just. For instance, an article imported from Pittsburgh to Springfield, Mo., will come 600 miles by rail from Pittsburg to Saint Louis, say, and then go out 200 miles from Saint Louis to Springfield, and the total charges on that 200 miles will be greater than the charges from Pittsburgh to Saint Louis. That is an example. There are a great many instances of that sort. It is so with goods coming from New York, coming to Saint Louis, a thousand miles, for distribution out into the country, 100 or 200 miles. The charges on this last 100 or 200 miles, for instance, will be greater sometimes than the charges on the whole 1,000 miles from New York to Saint Louis.

Senator HARRIS. In the illustrations that you are now giving, do you mean the original consignment is made to a point 100 miles beyond Saint Louis, or that the goods are consigned to some one in Saint Louis, and then, when reshipped on the short haul, the charges are greater?

Mr. PRATT. As to the consignment, yes. They are consigned to points in the interior sometimes, and it holds true in that case. For instance, a wagon manufacturer imports bolts and nuts, &c., from Pittsburgh. He orders them from there to his point in the interior. The articles come out, we will say, on the Saint Louis and San Francisco road. The bills will be made out by the Saint Louis and San Francisco company against the consignee at so much for the San Francisco company, back charges—say the charges are \$15, back charges \$10. The consignee knows that that back charge—he ordered the goods from Pittsburgh—means the freight from Pittsburgh to Saint Louis. It comes in that

shape frequently. I have cases of goods imported from Chicago. They come in over a certain road in Missouri, and the bills are made out by the Missouri road, and they charge \$50 for the total, and back charges \$25, perhaps.

Senator HARRIS. In these instances the bill of lading from Pittsburgh or from Chicago, as the case may be, to the interior point beyond Saint Louis, is a bill of lading through to the interior point, is it, and not Saint Louis?

Mr. PRATT. They are ordered from the interior point and the goods come through under his order. No, they are not distributed in Saint Louis in the cases that I have referred to. But then there is a great deal of that done in that way. That is one of the most serious matters of complaint.

#### SAME PRINCIPLES FOR FREIGHT AND PASSENGER TRAFFIC.

Senator HARRIS. In regulating interstate commerce do you think it would be wise and safe and proper to prohibit, by law, the charging of more for a short than for a long haul over the same line of road, and going in the same direction?

Mr. PRATT. That is, more per mile?

Senator HARRIS. No; more in the aggregate.

Mr. PRATT. Well, I think the charge should not be any greater on the short than on the long haul in the aggregate. That is ingrafted in our constitution, and I think that principle is correct. There is no way that I can see of adjusting the rates on anything except in taking distance or time into account; and the two are about the same thing. You take distance into account in everything else besides railroad transportation. In railroad transportation you do it invariably as to passenger rates. Now, if the principle is correct on passengers, why is it not correct on freight? Why should they deviate from it? That is to say, what is the difference between passenger traffic and freight traffic proper? The difference is simply and almost solely in the fact that the passengers handle themselves and the freight has to be handled by the carrier.

#### SEPARATE TERMINAL AND HAUL CHARGES.

Senator HARRIS. The terminal charges are less on a passenger than on the freight?

Mr. PRATT. Yes, the passenger pays for nothing but the hauling, you see. Now, if you can make just terminal compensation, you will bring the freight traffic on the same level with the passenger traffic. Why would not that be the proper manner to adjust freight traffic, allowing a sufficient and liberal terminal charge, you may say, and then charging so much a mile for the freight. Let it be a regular mileage rate, as on passengers. As to that terminal charge suppose you fix it at \$1 a ton.

Senator HARRIS. Do you think it would be wise and safe to the public and the transportation companies to require terminal charges to be kept separate, and pay whatever they may be, and then charge the same rate of freight on long and short hauls per mile?

Mr. PRATT. My suggestion is that in fixing a schedule of rates or a tariff of rates you should put on each class of freight a terminal charge. That is a constant thing, the same on long haul or short. I was going on to show how that would be distributed. That shows very markedly on short hauls, but it diminishes indefinitely on long hauls. If you fix

it at \$1 a ton and a cent a mile, for the first 10 miles the charge would be \$1.10; for 20 miles it would be \$1.20, and so on. When you get up to 300 or 400 or 500 miles, the dollar would disappear in the \$15 or \$16.

The CHAIRMAN. It would become an imperceptible amount when spread over a long distance?

Mr. PRATT. Yes, sir; my suggestion is simply whether that might not be taken as a fair way of adjusting the short and long haul question. There is a philosophy underlying it somewhere, and the object is to find it.

Senator HARRIS. Suppose you keep the terminal charges separate from the long haul altogether?

Mr. PRATT. You need not do that.

Senator HARRIS. Suppose you do it, and make out a separate bill for terminal charges. You have nothing left but the charge for hauling. What is the true principle of adjusting a tariff of rates upon the haul, if the terminal charges are kept distinct and separate?

#### SAME MILEAGE RATE FOR PASSENGERS AND TRAFFIC.

Mr. PRATT. If you admit that the mileage rate is just on passengers you will have to admit it on freight.

Senator HARRIS. You would make the same mileage rate on both and for all distance.

Mr. PRATT. I make that suggestion. That is my opinion. You see the higher you put the terminals, the higher will be the proportion between the short hauls and the long. The lower you put the terminals the lower will be the ratio between the short and long hauls.

The CHAIRMAN. The terminal charges would be just as much on the hauling a car a mile as a thousand miles?

Mr. PRATT. It would cost just as much to load and unload a hog-head of tobacco, whether it is going 5 miles or 5,000 miles.

Senator PLATT. Terminal charges would have to be proportioned somewhat on the amount of investment and terminal facilities, I suppose?

Mr. PRATT. There is a detention of cars, &c. It all has to be provided for.

Senator HARRIS. And the interest on the cost of the plant, the warehouses, the offices, and the clerks who have to be kept there would all constitute elements of consideration, would they not?

Mr. PRATT. Yes, sir; but that comes in also in the rate.

The CHAIRMAN. Have you any other suggestion of complaint on the part of the people in your State?

#### UNJUST DISCRIMINATION.

Mr. PRATT. I do not know that there is anything very important. The question of rates is the thing that hurts everybody. It is the only thing that they care about.

The CHAIRMAN. That involves the question of unjust discrimination between persons and places?

Mr. PRATT. Yes, sir; as between places and between persons too, there is some complaint.

The CHAIRMAN. Is the system of rebates practiced very much, in your observation of railroads?

Mr. PRATT. We see but little of that. It hardly ever comes to our notice. There is such a thing, however, as rebates.

## REBATES.

The CHAIRMAN. Do you think it ought to be prohibited by law?

Mr. PRATT. I tell you what I think about that. I do not think that this cutting off of little branches and sprigs that have grown in the wrong place amounts to a great deal. I think we ought to strike at the roots of these evils. We ought to endeavor to bring the management of railroads down to a business principle, and have them managed the same as other business is managed.

The CHAIRMAN. Would you do that through a commission appointed by the National Government, so far as interstate commerce is concerned?

Mr. PRATT. The commission has got to show how it ought to be done in the first place, and then make them do it.

The CHAIRMAN. Enforce whatever law there is?

## INFLUENCE OF WATERWAYS.

Mr. PRATT. Yes, sir; and to show where the law ought to be amended, I would like to say a word to you, gentlemen, about the comparison between waterways and railways, if you have no objection. With your permission I will read a few sentences that I have put down for the sake of refreshing my memory on the subject. I did this because the subject is mentioned in your circular.

The CHAIRMAN. We are authorized to inquire into the question of the influence of waterways in competition with railroads.

## THE TRAFFIC WHICH SEEKS WATER OR RAIL TRANSPORTATION.

Mr. PRATT. I have formed some decided opinions on that subject. As to the competition between railways and waterways, the fact is that for low-priced freight the former is subsidiary to the latter. That is, the railway is subsidiary to the waterway. For all traffic, the two are reciprocally beneficial to each other. Freight charges are levied, as you all know, at so much per ton or per hundred pounds. It is by weight always. At the ordinary speed of freight trains, freight can be carried by water cheaper than by any known mode of transportation by land. That is a settled point. It is the result of natural laws which we cannot overcome. We do not know of any way of reducing the friction by land to so low a point as by water; and you can carry freight at much less motive power by water than by land. But you cannot reach the high speed by water that you do by land, and hence the railway has the advantage, as I will show.

Our best railways cannot afford to take freight at less than 5 mills per ton per mile, but it can be carried by water at 1 mill per ton per mile, with equal chances of profit to the business, or with even better chances. Suppose that at a certain point bituminous coal costs the mine only \$1 per ton for delivery to the carrier, and that at a certain other point, 300 miles distant, there is a regular market for this coal at \$2.50 per ton. At 5 mills per ton per mile the cost of carrying this article 300 miles would be \$1.50 a ton, which, added to the cost of mining and delivery, makes \$2.50 a ton, the full price of the coal in the market. The owner of this mine cannot, therefore, ship his coal to that market by rail, as the expense would consume its value. But if there were a water route to the same point his freight bill would be only 30 cents, his total expense \$1.30, and he would realize \$1.20 per ton profit.

That illustrates the reason why articles of low price need water routes. Soft coal, cord-wood, hoop-poles, timber in the rough, sand, stone, brick, clay, iron ore, and many other articles of great value in the aggregate, are worth less than \$5 a ton; lime, common lumber, and salt are worth from \$5 to \$10; hay and corn from \$10 to \$15; Irish potatoes, rye, oats, and barley, \$15 to \$25; wheat, about \$35; flour, about \$50; cattle, sheep, and hogs, \$100; groceries from \$100 to \$200; cotton, \$200; wool, \$500; coarse boots and shoes, \$1,000; ordinary cloths, \$10,000; silks and fine linens, \$30,000 a ton.

That is the difference in value of these articles. If the market be 1,000 miles away from the point of production, all articles worth less than \$10 a ton must reach it by water, if they get there at all; and on all worth less than \$100, the difference between water and rail for that distance is an important item.

Water routes foster low prices and increase the wealth and population of the country until its passenger traffic, its mail and express goods, and such high-priced articles as need the railway on account of the immense saving in time which it furnishes, are sufficient to support the latter. From that time forth, each one in its own department of the business of transportation is conducive to the prosperity of the other, and whenever it encroaches upon the domain of, or attempts to throttle, the other it inflicts an injury upon itself also. Therefore, whenever a railway line touches upon a competing water route it should drop its low-priced freight as unprofitable and take up something in the carriage of which it can make a profit. To carry it at a loss and then attempt to make up the loss by an exorbitant charge against another customer is unjust and in the end suicidal.

### JAMES HARDING'S STATEMENT.

JAMES HARDING, railroad commissioner of the State of Missouri, appeared and said:

I have been commissioner for the State of Missouri since the first of January, 1877.

The CHAIRMAN. You have had considerable experience as a commissioner dealing with the transportation companies of your State. Will you give us your views upon this subject, telling us what the grievances of the people are, if any, and what your idea is as to the proper cure, so far as it pertains to interstate commerce?

### COMPLAINTS GENERAL.

Mr. HARDING. As to the grievances of the people of this State regarding interstate commerce, I think they were stated pretty clearly by Mr. Pratt. The complaint is quite general. On commodities shipped from some distant points outside of the State to some point in the State the freight charge from Saint Louis to the interior point is oftentimes much greater than from the outside point, from New York, for instance, to Saint Louis.

The CHAIRMAN. In proportion to the distance, you mean?

Mr. HARDING. The actual charge. It might be 50 cents a hundred from New York to Saint Louis, and \$1 a hundred from Saint Louis to Springfield, in the State.

The CHAIRMAN. That comes within your immediate jurisdiction?

Mr. HARDING. Yes, sir; these goods would be billed to Saint Louis

and not beyond. They would be billed on the through rate. From Saint Louis to Springfield the roads charge the State local rates, which happen to be considerably in excess of the through rate.

The CHAIRMAN. Why are they not billed from New York to Springfield?

Mr. HARDING. That I do not know.

Senator PLATT. It is interstate commerce, however, if it comes from New York to Saint Louis?

Mr. HARDING. Yes, sir.

Senator HARRIS. When it leaves Saint Louis the reshipment is under State control.

Senator PLATT. If a purchase is made by a Springfield man in New York, the goods having to come from New York to Springfield, why can we not regulate that matter in some respects?

#### GOODS NOT BILLED BEYOND SAINT LOUIS.

Mr. HARDING. The complaint is that those goods should be billed from New York to Springfield and not to Saint Louis.

The CHAIRMAN. With the same rate of freight following the bill of lading on those goods?

Mr. HARDING. Yes, sir.

Senator HARRIS. Is not that a matter which the shipper may arrange in any way he chooses?

Mr. HARDING. It would seem to be a matter he should be able to, but he cannot.

Senator HARRIS. When he ships from New York does he not decide whether it shall be billed through to Springfield or to Saint Louis?

Mr. HARDING. It would seem that he ought to, but they will not bill it through.

The CHAIRMAN. Do they decline to do it?

Mr. HARDING. Yes, sir.

The CHAIRMAN. Do they give any reason for it that you know of?

#### A CASE OF DISCRIMINATION.

Mr. HARDING. No, sir. We had a case lately of this kind: In the town of Neosho there is a large manufacturer of wagons. There is a very fine market for manufactured wagons in Texas. The town of Seneca is only a short distance from the State line, and not more than 50 miles from Veneta, a town on the Missouri and Kansas Railway. The wagon manufacturers in Iowa are able to ship a wagon from Iowa to the Texas point for a less rate than the manufacturer in Seneca can ship to the same point in Texas.

The CHAIRMAN. Seneca is in Missouri?

Mr. HARDING. Yes, sir; in the extreme southwestern portion of Missouri. The haul on the wagon from Iowa is probably 500 miles greater than the haul from Seneca.

The CHAIRMAN. Yet they ship goods to Texas cheaper than they can be sent from that point in this State?

Mr. HARDING. Yes, sir; it has amounted to a prohibition of business at Seneca. That was a matter, however, that we got arranged with the railroad companies. We got the rates down so that the Seneca man could ship.

Senator PLATT. Is Seneca a county?

Mr. HARDING. Seneca is a town on the State line.

The CHAIRMAN. While this discrimination against Seneca was going on, owing to the fact that freight was shipped at a cheaper rate from some point in Iowa to Texas than it could be shipped from Seneca to the same point, there was no competing line, was there? There was but one road?

Mr. HARDING. Yes, sir.

The CHAIRMAN. What is the fact now?

Mr. HARDING. There is but one road there now. There is a road as far as Fort Smith, in Arkansas, but to get there with their wagons they have to go northeast on the San Francisco road to within 40 miles of Springfield, and then go south to Fort Smith.

The CHAIRMAN. You say they have some rate agreement now by which they are doing better?

Mr. HARDING. Yes, sir. We had the matter up before the management of the roads, and got the rates arranged so that the Neosho men can ship their wagons out.

The CHAIRMAN. That is one very positive complaint. Are there any other instances that you think of?

Mr. HARDING. They are all of that character. If there are complaints at all they are to the effect that they cannot get their goods billed directly through to them from the point of shipment; that they are rebilled at Saint Louis.

The CHAIRMAN. To interior points of the State?

Mr. HARDING. Yes, sir.

Senator PLATT. Are there any complaints as between individuals in the same locality that one gets better rates than others?

Mr. HARDING. There are complaints made, but there are none made officially. I do not remember any complaints that have been made officially.

Senator PLATT. But you hear of them?

Mr. HARDING. We hear of them; yes, sir.

The CHAIRMAN. I would like to pursue this other question a little further. There is only one road from Saint Louis to Springfield now?

Mr. HARDING. One road directly; yes, sir.

The CHAIRMAN. As a matter of fact, is not the reason why that difficulty exists because they have but one road and it has entire control of the whole question?

Mr. HARDING. Springfield is not the only point. The same fact applies to all the interior points on all the roads in the State.

The CHAIRMAN. Whether there are competing roads or not?

Mr. HARDING. Yes, sir.

The CHAIRMAN. They cannot get their goods shipped from an eastern point, New York, or any other place, to the point in the interior, whether there are several roads or only one?

Mr. HARDING. I remember a complaint on one very important article in this State. They complain as to whisky, that they get their rate from Louisville to Saint Louis at one-third less than the rate on the same article 100 or 150 miles out into the country.

The CHAIRMAN. As a commission, you have no power to enforce any change of rates on the railroads?

Mr. HARDING. No, sir.

The CHAIRMAN. Do you think you ought to have such power?

Mr. HARDING. I think if the commission is authorized by law to reduce a rate, it should be authorized to enforce the reduction.

## A COMMISSION.

The CHAIRMAN. Just what power do you think a national commission ought to be created with, if you think a commission should be created?

Mr. HARDING. I think if Congress is to regulate interstate traffic, a commission will be necessary.

The CHAIRMAN. Do you think any law which Congress might pass would be of much value without a commission to enforce it?

Mr. HARDING. No, sir.

The CHAIRMAN. What power do you think that commission ought to have given it, from your experience as a commissioner?

## WITH POWER TO ENFORCE DECISIONS.

Mr. HARDING. I think the commission should be empowered to enforce its regulation of rates, whatever they may be, under a very severe penalty if those rates are broken.

The CHAIRMAN. Some gentlemen who have been before us have believed that there ought to be a commission simply with power to investigate and report to the Government. Others think the commission ought to be given power to investigate and determine disputes between shippers and business men and the transportation companies, and to make that decision *prima facie* evidence of its being correct in a court. Others, again, think that special tribunal, whatever it may be, should be made a court, with power to settle difficulties and enforce their judgments or decrees in dealing with transportation companies. About how far do you think a commission ought to go?

Mr. HARDING. I should think on the question of interstate commerce that a commission empowered to enforce its decisions as to rates would be the proper one.

The CHAIRMAN. That would make it a court.

Mr. HARDING. Yes, sir; it would be in the nature of the court.

The CHAIRMAN. Under our Constitution the commissioners or the special tribunal would have to be made life judges. Do you believe that would be best?

Mr. HARDING. I hardly think they should be appointed for life. Still, the commission would be lasting, and it would be a life commission really. I should think if a commission is appointed with power to regulate rates, they should have the power to enforce their regulations.

## INFLUENCE OF MISSOURI COMMISSION.

The CHAIRMAN. As I understood the chairman of your commission, the influence of the commission, without any authority, has been greatly increased over the transportation companies, until now substantially all your determinations are acquiesced in by the transportation companies.

Mr. HARDING. As a general thing that is so, but it is not so in all cases.

The CHAIRMAN. In Massachusetts the commission has no power further than to simply ascertain the facts and announce its conclusion. Yet the testimony of that commission, and of the people pretty universally, is that their judgments are always acquiesced in. You have not yet reached that point in this State?

Mr. HARDING. No, sir.

The CHAIRMAN. Do you or not think that a national commission with



power to investigate and determine, that determination being made *prima facie* evidence of correctness in a court of law, would be of some account?

Mr. HARDING. It might.

#### PUBLICITY OF RATES.

The CHAIRMAN. What is your judgment as to the question of publicity of rates for the transportation of freight?

Mr. HARDING. I think it would make very little difference whether they were made public or not.

The CHAIRMAN. Do you or not think that one of the reasons for these discriminations as against localities in your State grows out of the fact that those rates are in a measure secret?

Mr. HARDING. I do not think the publishing of the rate would make any difference. If they chose to give a rebate or drawback they would do it whether the rate was public or not.

The CHAIRMAN. Suppose there were a law prohibiting their giving rebates, would that do any good?

#### REBATES AND DRAWBACKS.

Mr. HARDING. It would depend upon how much force there was behind it.

The CHAIRMAN. If the Government passes a law it ought to provide some means of putting it in force. I suppose all laws are violated more or less. Do you think it would be of any public service to the business community if rebates or drawbacks were prohibited?

Mr. HARDING. I think they should be prohibited.

The CHAIRMAN. Do you think that ought to be inserted in any statute that should be passed by Congress?

Mr. HARDING. I should think so.

The CHAIRMAN. What is your judgment upon the question of the long and short haul, as it is familiarly termed?

#### THE LONG AND SHORT HAUL.

Mr. HARDING. I have about the same idea on that as Mr. Pratt expressed. I agree with him pretty well on that subject.

The CHAIRMAN. Do you think it would be advisable for Congress to separate the terminal charges in dealing with interstate commerce from the cost of hauling?

Mr. HARDING. I do not think it would make any difference to the shippers; but in the adjusting of the rate the terminal charge would be a very important factor in the calculation of the rate.

The CHAIRMAN. What would you think about a provision of law that would prohibit charging more for a short than for a long haul?

Mr. HARDING. You do not mean to prorate?

The CHAIRMAN. No, but in the aggregate. For instance, freight is shipped from New York to Saint Louis, and also to some point, say, 50 miles farther west in your State. What would you think of a law that would prohibit that shipment being made at a less rate to the point farther west than to Saint Louis? It has frequently occurred, I presume, in the observation of almost everybody, that the railroad charges more sometimes for hauling freight 50 miles than it charges for hauling it 75 miles. Ought such a thing to be prohibited?

Mr. HARDING. I think the rates should be established equitably for all distances; and if that were established, that sort of thing would not be permitted, of course.

The CHAIRMAN. What we are trying to find out is whether it would be safe to put that sort of provision in a statute to be passed by Congress, prohibiting the charge of more for a short than for a long haul. State whether in your observation you have known of instances where it would not be right to enforce such a provision.

Mr. HARDING. Does this refer to interstate traffic alone?

The CHAIRMAN. I refer to interstate traffic.

Mr. HARDING. I should think that it is a correct one.

Senator HARRIS. Have you more than one line of railroad from Saint Louis to Kansas City?

Mr. HARDING. Yes, sir; there are three; two within the State and one an interstate road—the Chicago and Alton.

Senator HARRIS. There are three lines competing for the traffic between this city and Kansas City?

Mr. HARDING. Yes, sir.

Senator PLATT. How many are there to New York?

Mr. HARDING. I do not know.

Mr. HARRIS. Do you know the rate upon a car-load of grain from here to Kansas City?

Mr. HARDING. I do not know what the actual rate is, nor do I know that I can recall the statute rate. The distance by the shortest line is 275 miles.

Senator HARRIS. I want to ask in a different form the question put by Senator Cullom. The competition between these three lines from Kansas City to this place tends to reduce the rate of through freights, does it not?

Mr. HARDING. Yes, sir.

Senator HARRIS. Independently of pools, the competition between these three roads would reduce freight rates between Saint Louis and Kansas City, would it not?

Mr. HARDING. Yes, sir; that would be the natural result.

#### PROHIBIT GREATER CHARGES FOR LESS DISTANCES.

Senator HARRIS. Suppose a car-load of grain to be brought from Kansas City to Saint Louis at, say, \$30 per car-load, do you think the railroad company should be prohibited from charging more than \$30 per car-load on a similar car-load of grain taken up 100 miles or 150 miles this side of Kansas City for Saint Louis?

Mr. HARDING. Yes, sir; I do.

Senator HARRIS. Do you think it would be safe to prohibit charging as much to Saint Louis from this non-competing point 50 or 100 miles this side of Kansas City on one of these lines of railroad as the charge from Kansas City to Saint Louis?

Mr. HARDING. I am not so clear as to that.

#### RAILROAD SYSTEMS FROM SAINT LOUIS WEST.

Senator PLATT. Can you tell how many systems of roads there are leading west and southwest from Saint Louis?

Mr. HARDING. There are, first, southwest, the Saint Louis, Iron Mountain and Southern; next, the Saint Louis and San Francisco; next, the Missouri Pacific, with the Missouri, Kansas and Texas branching

from it at Sedalia; next, the Wabash, Saint Louis and Pacific, which runs from Saint Louis to the north side of the Missouri River, crossing the Missouri River 18 or 20 miles above here, and the Chicago and Alton, which crosses here.

Senator PLATT. Are they under separate control?

Mr. HARDING. No, sir; the Iron Mountain, and Missouri, Kansas and Texas, and Missouri Pacific are under the same control. The Wabash is under separate control now, and the Chicago and Alton is under separate control.

Senator PLATT. Then, in fact, you have three systems. That is, all the roads are controlled by three powers?

Mr. HARDING. Yes, sir. It may be that the Chicago, Burlington and Quincy does some Saint Louis and Kansas City business. I do not know whether they do or not. They have the control of the line from Hannibal to Kansas City, and the line from here there.

Senator PLATT. Are there any local pools, or are there any pools that have their headquarters at Saint Louis?

Mr. HARDING. I do not know.

Senator PLATT. Or are the roads under the pools which have their headquarters in Chicago?

Mr. HARDING. I think the roads are in what is termed the South-western Association. I think their headquarters are in Chicago.

#### THE SAME CHARGE PER MILE FOR ALL DISTANCES.

Senator PLATT. Have you ever given consideration to this question of whether rates should be fixed at so much per mile for all distances?

Mr. HARDING. You mean the haul?

Senator PLATT. Yes.

Mr. HARDING. Yes, sir; I have thought considerably about it. I do not think it costs any more to haul one car-load than another, as a general thing. It would in some commodities. Equal weights would cost more.

Senator PLATT. Saint Louis ships a great deal of grain and produce to the sea-board. Suppose the rate per mile were the same from Saint Louis to New York that it is for a point 100 miles inland from Saint Louis. Do you think it would be to the advantage of the business of the Saint Louis and Missouri to enforce that rule?

Mr. HARDING. I hardly know.

Senator PLATT. Of course it would be to the interest of Saint Louis to enforce it, if it were not enforced at other competing points; but would there be any hardship or any disadvantage to business if it were enforced all over the country?

Mr. HARDING. If it were enforced all over the country, a like rate for a like service, I do not see that it would be any hardship. It might be that in working up the rate on that basis the rate would get too high for the commodity, so that they could not afford to ship it at all.

Senator PLATT. It might interfere with the export trade?

Mr. HARDING. Yes, sir.

Mr. FILLEY. I would like to ask whether the Pacific system does not cover the Wabash road?

#### DIFFERENT ROADS CONTROLLED BY ONE MANAGEMENT.

Mr. HARDING. Not at present.

Mr. FILLEY. The point of it is the question of competition. There is virtually but one system, so far as this railroad business is concerned,

outside of the Chicago and Alton competition. It is a question that bears directly on this through bill of lading system.

Mr. HARDING. The Wabash was under the control of the Gould system, leased to the Iron Mountain until last fall some time. I have forgotten the date when that lease was broken. Up to that time, for a year and a half probably, I think it was under the control of the Missouri Pacific.

Senator PLATT. What was the practical operation of it? Did one system control the business southwest of Chicago so that there was really no competition among the roads southwest of Saint Louis?

Mr. HARDING. While the roads were under the control of the Gould system, there were practically but two systems from anywhere here. One was the Chicago and Alton, and the other lines were all under the control of the Pacific management.

The CHAIRMAN. The balance were under the Gould system?

Mr. HARDING. Yes, sir.

The CHAIRMAN. And hence it did not make any difference where freight went, the roads were under the same control?

Mr. HARDING. There was a time when Frisco did some business to Springfield. It was rather a roundabout way; but they did not carry that on a great while, although they were building up quite a business. They got a percentage of the business after that and quit hauling.

#### POOLING.

Senator HARRIS. Do you think this system of pooling adopted by many of the roads at competing points is advantageous or disadvantageous to the general public?

Mr. HARDING. The theory of it is well enough, but the companies do not live up to the agreements they make, and I doubt whether it is really of great benefit. I doubt its being of any great benefit to the shippers. It may be to the railroads, and probably is.

Senator HARRIS. Is the object of pooling to maintain higher rates than would otherwise exist?

Mr. HARDING. The object of pooling, as I understand it, is to maintain uniform rates.

Senator HARRIS. Do you think pooling should be prohibited or legalized?

Mr. HARDING. If the Government undertakes to regulate the rates, there will be no necessity whatever for pooling.

#### REGULATION OF BOTH WATER AND RAIL RATES.

Senator HARRIS. If the Government undertakes to regulate the rates of pooling, should it at the same time regulate the rates of the waterways competing with the roads?

Mr. HARDING. I should think that if it were proper in one case, it would be in the other; yes, sir.

Senator HARRIS. If the one were regulated by the Government, and the other not, would it not give the unregulated system a very decided advantage over the other in the competition between them?

Mr. HARDING. I do not know that it would give it any more advantage than it has now. Take the case of the Erie Canal. I noticed a statement the other day that the number of boats on the Erie Canal had been reduced from some 4,500 to less than 2,000 boats, probably 1,500 boats. That canal, as I understand it, is now a free canal. There are

no tolls. It seems as though the railroads were doing all the business except, perhaps, the business in the heavier and low priced commodities, in spite of its being a free canal.

#### INFLUENCE OF WATERWAYS ON RATES.

Senator PLATT. Yet, the fact that it is there has a marked influence on the rates?

Mr. HARDING. Yes, sir; it is bound to do that. While the canal and lake navigation are open, it must have a very marked effect on through rates from the West to the markets in the East.

#### G. W. DOWNING.

G. W. DOWNING, member of the railroad commission of Missouri, appeared.

The CHAIRMAN. We would like to get your views upon the subject under investigation.

Mr. DOWNING. I beg to be excused. I will merely state to the committee that I have recently come into the commission and am not yet very well posted.

Senator PLATT. How are the members of your commission appointed?

Mr. DOWNING. It is elected by the people, and it is only since the middle of January that I have been on it.

The CHAIRMAN. If you prefer not to make any statement we will listen to General Devereux.

#### GEORGE C. PRATT'S STATEMENT CONTINUED.

Mr. PRATT. Let me say one word on the question that was asked General Harding. In regard to the apparent equity or inequity of regulating railroads and not regulating other modes of transportation a great deal has been said. You asked a question on that point. There is one thing which is always overlooked in all that discussion, and that is this: that in every other mode of transportation under heaven there is free competition between carriers along the same route, except by railroads. That is an exception to the rule, and so very important an exception that it answers the whole question. You may regulate the transportation by railroad, and equitably do so, without regulating it by water, because the unwritten law of competition settles it in all other cases.

The CHAIRMAN. As a matter of policy, do you not think anything ought to be done looking to the regulation of transportation by water?

Mr. PRATT. The Government has always claimed the right of regulating tolls charged by anybody—the bridge man or the canal carrier, or any one else. That is recognized.

The CHAIRMAN. But there are no tolls on the lakes or rivers.

Mr. PRATT. Even where this competition exists it is recognized; but it is claimed that you must not regulate charges on the roads where that competition does not exist.

Senator HARRIS. Assuming, however, that there is no question about the power of Congress to regulate interstate commerce, through whatsoever channel may be adopted, what do you think of the wisdom of the policy, when you regulate the rates on railroads, of regulating also the rates by competing waterways?

Mr. PRATT. I do not think there is any necessity at all for regulating them by river; but you may do it if you choose.

Senator HARRIS. How many lines of railway have you connecting Saint Louis with New Orleans?

Mr. PRATT. There is one other line.

Senator HARRIS. You have a waterway directly from Saint Louis to New Orleans?

Mr. PRATT. Yes, sir; there is one other line. You can make through rates on several. Anybody can put a boat on the river, who has money enough to buy it and run it; but nobody can put a train of cars on the railroad except by permission of the owner of that property; although that is a question of law which I do not admit. But that is the practice.

Senator HARRIS. You think the public interest, then, would not be subserved, when Government regulates the freight and passenger rates on railroads from here to New Orleans, if it were to attempt to regulate water rates at the same time?

Mr. PRATT. I say you can do just as you please about water rates; but I say also, you may regulate the railroads without any injustice to the water lines or to the public.

Senator HARRIS. But can you regulate the railroads, leaving the water lines unregulated, with perfect justice to the railroads?

Mr. PRATT. You can, with perfect justice to everybody, the railroad included. It would be no injustice to them.

Senator HARRIS. You think there is necessity for and propriety in regulating the rates on railroads, and no necessity for or propriety in attempting to regulate them by water rates?

Mr. PRATT. As a rule, yes, sir.

Mr. FILLEY. Did you never know of pooling among steamboat lines?

Mr. PRATT. I have known of pooling by railroads.

Mr. FILLEY. Did you ever know pooling to be a disadvantage to shippers?

Mr. PRATT. I presume so; and then you would have to regulate it.

Mr. FILLEY. Take, for instance, a barge line and a steamboat line. Did you ever know of pooling between those?

Mr. PRATT. I do not know. I presume there is pooling, and if there is, that ought to be regulated. I wanted to draw attention to the point of difference between railroads and other modes of transportation. That is all. There is that difference—that there is no competition between carriers along the same road.

The CHAIRMAN. Everybody has the right to go on the water with his own boat if he wants to?

Mr. PRATT. Yes, sir.

### JOHN H. DEVEREUX'S STATEMENT.

JOHN H. DEVEREUX, president of the C. C. C. & I. Railroad, appeared.

The CHAIRMAN. Will you be good enough to state your present occupation?

Mr. DEVEREUX. At present I am president of the Cleveland, Columbus, Cincinnati, and Indianapolis Railroad, the Indianapolis and Saint Louis, and executive officer of several other roads of the interior.

The CHAIRMAN. You have some general understanding of what this committee is attempting to do, and I think the best way for us to get

your views is to allow you to make your own statement, subject to any examination we may make during its progress.

Mr. DEVEREUX. I will premise by saying that I am speaking from an experience of over thirty-seven years of consecutive railroad service. I have not been out of service an hour in that time, in the construction and management of railroads; and in considering the subject of your communication, I thought, in order to condense it, it would be better to put my thoughts in writing, more particularly as I propose to illustrate my statement somewhat with statistical data. Therefore, with your permission, I will read what I have written. At the same time, as accompanying the statement, I will leave with the committee an accurate railroad map of that part of our territory lying west of the termini of the trunk lines so called; that is to say, Pittsburgh and Buffalo north of the Ohio River and as far west as Omaha. I had the original map prepared about a month ago to carry out some committee work in respect to pooling. It is an accurate map, which cannot be said of every map; and I will refer to it as I get on with my statement.

I would call the attention of the committee to one point of the present difficulty connected with railroad management. The trunk lines, if you please, come up to Pittsburgh and Buffalo. Here is the fighting ground [indicating by the map].

The CHAIRMAN. The West.

#### THE GATHERING POINTS OF FREIGHT.

Mr. DEVEREUX. Yes, sir. Here are the gathering points of the freight; here are the roads that cross and recross, a net-work running north and south and northeast and southwest, in an area varying at least from 150 to 250 miles. Each one of those roads seeks to become a part of the carriers of the common competitive freight; each one of them has its own separate organization for undertaking to do that business. The arrangement heretofore made for pooling included Chicago, which is underscored on the map (as well as other points), Indianapolis, Peoria, Cleveland, Detroit, Buffalo, Pittsburgh, Toledo, Milwaukee, Cincinnati, and Saint Louis. But it has been impossible to account for the competitive freight at those points. These subsidiary points marked in red—Alton, Wann, Roodhouse, Chapin, Beardstown, Havana, Pekin, Moulton, Washington, Streator, Dwight, Gardner, Seneca, Burlington, and Deming—are all loop-holes through which business is strained or diverted, which does not reach Chicago or Milwaukee. Therefore, the business is entirely disarranged and the rates disturbed. You observe, these roads in the control of the business get as much for hauling to these points *here* and delivering to competitive lines as for hauling them to Chicago and Milwaukee. *Here* is Milwaukee, which is not pooled at all. It is now competing with Chicago. The Grand Trunk, working across the lake here, diverts business in too great a proportion to Milwaukee; and that throws the whole thing into confusion. But of that you will probably ask me later.

Senator PLATT. Let me see if I understand just the point that you are making. What you call the trunk roads are the roads east from that point?

Mr. DEVEREUX. Buffalo and Pittsburgh.

Senator PLATT. And from what point at the East?

Mr. DEVEREUX. To the Atlantic sea-board.

Senator PLATT. To Boston, New York, Philadelphia, Baltimore?

Mr. DEVEREUX. Yes, sir.

Senator PLATT. It does not take in Newport News?

Mr. DEVEREUX. No, sir. This map does not.

Senator PLATT. Is the Ohio and Chesapeake now reckoned among the trunk lines?

Mr. DEVEREUX. Yes, sir; it should be so.

Senator PLATT. Is it in the trunk-line pool?

Mr. DEVEREUX. It is not in the trunk-line pool.

Senator PLATT. And these points which are underscored at the West, including Peoria and excluding Milwaukee, have been the pooling points with reference to the trunk-line system?

Mr. DEVEREUX. The trunk-line pooling business; yes, sir.

#### DEVELOPMENT OF RAILROADS.

The development of the railroad system of the United States up to the beginning of the civil war was attended and directed in the main by what might be designated, in contrast with later events, as a sound and cautious policy. The roads were built to meet actual, and not imaginary, transportation necessities, the means for their construction being derived from fully paid-up capital stock, and from bonds well sold, limited in amount of their issue. In their operation they were more particularly confined to the carriage of traffic originating on their own line or controlled at their own termini; and, in respect of what is now known as through traffic, the great bulk of that was left unquestioned for lake, canal, and river transportation.

In the great changes affecting material interests during the civil war, and as one result of the augmented and quickened resources of the nation towards expansion and production, railroads were projected everywhere, in fields old and new, so that since 1865 the rail mileage of the country has been increased threefold, and in many instances during the recent years upon a basis of credit and credulity.

#### THE STRUGGLE FOR BUSINESS.

The older roads about the years 1869-'70, in their ever-continuing struggle for business, started for the first time to compete with the lake, canal, and river lines in the carriage of long-haul, low-class freights, as cereals and provisions. The outcome was to accelerate and continue year by year a decline in the rail tariffs for all freight transportation, east and west bound, and affecting the water lines only by augmenting their capacity, and leaving them with relatively undiminished competitive power. The natural increase of the business of the country fell far short of the continuing increase of transportation facilities, and the financial loss and injury through the result of unlicensed competition was not unfrequently intensified by the demands of competitive trade centers and the great commercial cities. Chicago was pitted against Saint Louis. Other interior points, affected by rates yielded to the two great Western cities, clamored for competing or corresponding rates with them. Baltimore, being geographically nearest to Western competitive marts, claimed that a common rate was to be determined by actual mileage, and insisted upon less rates than those given at Philadelphia and New York City. Philadelphia also claimed in respect of the same competitive freight a less rate than that allowed New York City. New York City's roads insisted that, irrespective of geographical distance, business could and should be hauled by them as cheaply as by any and all rivals.



The more northerly roads, reaching New England sea-ports, claimed that because of their disadvantage geographically in a lengthened distance from competitive western trade centers, their rates should be fixed lower than those of New York City.

Such a thing as regularity in rates, or any system to properly regulate and supervise them, has from the first been rendered impossible, largely by the circumstances of jealousy, hostility, ignorance, and indifference on the part of the communities which are served by the roads.

The discriminations in rates where or when they may have existed, against which public invective has been heard, have in no small degree been due to the natural outcome of yielding to commercial cities and trade centers what they denominated as their prerogative and inalienable right in matters of transportation. And unlicensed competition gave to them this power, as inevitably, in the keenest conflict for augmented tonnage, one railroad followed another, and rates were ground in a perpetual mill.

#### NOT THE SURVIVAL OF THE FITTEST.

The expansion and extent of our railroad system in the last quarter of a century is hardly conceivable. Yet to-day, with its complexities and its inherent radical weaknesses arising from natural causes, that is, from the effects of the past twenty years of freebooting in construction and free competition in operating, one stands without the pale of statute law in any effective effort to restrain and restore. The prosperity and credit of the railroad affects all interests and all classes, investors or workmen. The point reached since the beginning of 1884 in the prevailing contagion of depression and loss, from the effects of ruinous rates, which were uncontrollable from a lack of adequate protection of railroad interests in the past, is not to be remedied by waiting upon "the survival of the fittest." This misapplied phrase of the scientist cannot furnish appropriate data in any recognition and adjustment of difficulties which may attend the commercial affairs of a people. The law of "survival" may apply to animals, but not to railroads, which are indestructible, and in their greatest financial weakness retain an augmented ability to injuriously affect and pull down others. Common interest and common sense should indicate that the remedy for this particular disorder was not continued conflict and destruction to an ultimate conclusion of general bankruptcy. One current belief in the public mind is that rail rates are always extortionate; an advance in them from any point of depression furnishes on each occasion fresh proof of such extortion.

#### WATERED STOCK.

And further may be noted the equally well shared belief that "the water," or what is believed to be an undue amount of share capital or of bonded debt of a corporation, is the incentive for the making of excessive freight rates, as well as the cause for a persistent attempt by managers of railroads, otherwise designated "monopolies," to grind and oppress the public through combinations and pools for the enforcement of their greed. This to the attributed end of acquiring large dividends. Nothing could be more unreasonable than these outcries of prejudice and ignorance. Railroads are amenable to and are restricted under charter, but more commonly by general statute. They are the

creatures of and are held accountable by the State, and of all created things under the law they have been the least protected, whether before bench and jury or in times of open riot. As to rates, it may be said that not a railroad corporation for years in making its freight tariffs, has charged or attempted to make the maximum figures it could have legally enforced. Fierce competition, however much it might injure particular local interests at isolated points, has put far beyond reach and consideration the securing of the highest attainable legal rate. And the thing that has never yet influenced the mind of a railroad manager in the construction upon a basis of cost of freight tariffs, is the point of the amount of the road's share capital and debt. If the cost of a road stands at twenty-five thousand or at two hundred thousand dollars per mile, it is all one in the practical results of operating the line. The rates are limited by law, but the limit counts as nothing in competitive traffic where the lowest rates control, and in the end destroy.

#### THE REVENUE COMES FROM THE TRAFFIC.

The railway vitally interests and affects many souls, if it is itself soulless. Its revenue comes from its traffic. To fairly recompense the laborer, the mechanic, the engineer, the great army of working-men and skilled artisans, which are with and of it, it must fairly earn. Equally true, too, that its owners, in their holdings and investments, should not be wronged. With the owners lie all risks and uncertainties, and their interests should receive reasonable consideration in the enforcement of adequate law. The railroad is for the greatest good of the greatest number, but the practical outcome of unlicensed competition in railroad construction and operation is unmixed evil for all, ending in substantial confiscation and destruction. There are nine main roads extending from the Atlantic sea-board to interior and commanding traffic points upon the lakes and rivers. Five of these, the oldest in operation, are commonly called the trunk lines, being respectively the Baltimore and Ohio, the Pennsylvania, the Erie, the New York Central, and the Grand Trunk. The others are the Chesapeake and Ohio, the Lehigh Valley, the Delaware, Lackawanna and Western, and the West Shore. Over these nine roads are run thirty separate and competing fast or co-operative lines, and all these thirty freight-carriers compete one with another in a greater or less degree, although in part run over the same trunk line.

With this statement a map is submitted, showing the railroads now built and operated within the territory which is northward of the Ohio River, and extending beyond the trunk lines' western termini as far as Kansas City. The roads of the net-work there appearing have each their own separate organizations for control of traffic, and such control between the Atlantic sea-board and the Mississippi Valley certainly is and has been through the influence of rates. The thirty trunk-line competitors at each principal point for traffic are increased and multiplied by these numerous Western roads, some of which are within and others without the trunk lines' system in current operation.

With the numberless reasons and causes, good, bad, or otherwise, which continually appeal and come to each individual of this great host of railroad rate-makers, with the craft and greed of human nature in this continuous and increasing competition to acquire all that can be obtained—not all the revenue obtainable for the road, but all the drawback, concession, and reduction in the rate that can be influenced and extorted—there may be no surprise upon a realization of the circumstances

attending the conduct of rail transportation that no agreement can be made which will secure the maintenance of agreed rates, whilst the effort to such end, begun fifteen years ago in respect of practical railroad confederation or pooling, stands thus far ineffectual and shadowed with the cloud of possible illegality.

#### THE EFFECT OF RATE CHANGES.

It may be a trite remark, but one altogether true, that frequent changes in rates injuriously affect the interests of the community and work discrimination. Rates should be both reasonable and uniform. They have been neither for the last two years, most assuredly. They have been wholly unreasonable, and at a standard so far below the rail rates of any other people on earth, so utterly insufficient in connection with an accompanying low rate of cost-service, as to be worse than absurd.

I will illustrate this and the entire matter of my argument by considering the results of operation for twenty-two years past of the Cleveland, Columbus, Cincinnati and Indianapolis Railroad as being a fairly representative case. At the beginning of the year 1864 the stock and debt of the railway stood at \$6,491,500. At the end of the year 1867, after four years' operation, the stock and debt stood reduced in amount by \$66,500. The average yearly freight tonnage had been 47,863,208 tons 1 mile. The average yearly gross freight rate was 2.456 cents per ton mile. The average yearly cost freight rate was 1.738 cents per ton mile. The net earnings averaged \$653,588.92 per year. The dividends annually paid averaged 10½ per cent. The equipment producing these results was: 47 locomotive engines, 36 passenger-train cars, and 771 freight cars.

The results of the next five years, 1868 to 1872 inclusive, were as follows: At the end of the year 1872 the stock and debt stood at \$18,366,275. The mileage of the road, through consolidation with another, had been increased from 188 to 391 miles. The average yearly freight tonnage was 165,464,455 tons 1 mile. The average yearly gross freight rate was 1.513 cents per ton mile. The average yearly cost, freight rate, was 1.095 cents per ton mile. The decrease in the gross freight rate was 38.40 per cent., and decrease in the cost freight rate 37 per cent., compared with the previous period, whilst the tonnage had increased 245.70 per cent. The net earnings averaged \$857,445.56 per year. The dividends annually paid averaged 7 per cent. The equipment had been increased to 118 locomotive engines, 66 passenger-train cars, and 3,023 freight cars.

#### ILLUSTRATING BY FIGURES.

The results of the next eleven years, 1873 to 1883 inclusive, were as follows: At the end of 1883 the stock and debt stood at \$22,286,600. The increase of debt was partly due (the same cause which contributed to increase the debt of the preceding period) to obligations incident to having acquired, partly by ownership but largely by lease, 345½ miles of additional road. The average yearly freight tonnage was 353,933,290 tons 1 mile. The average yearly gross freight rate was 0.840 cent per ton mile. The average yearly cost freight rate was 0.689 cent per ton mile. The decrease in the gross freight rate was 44.48 per cent., and decrease in the cost freight rate was 37 per cent., compared with the average period of the preceding five years, whilst the tonnage had increased 113.90 per cent. The net earnings averaged \$601,394.46 per year. The dividends paid averaged in this period 2.14 per cent. an-

nually, the most recent dividend having been paid in February, 1883. The equipment had been increased to 168 locomotive engines, 120 passenger-train cars, and 5,278 freight cars.

It is thus seen that twenty years ago the road earned annually, net, \$650,000, transporting 48,000,000 tons freight 1 mile; that nine years later, with stock and debt increased threefold, and transporting annually exceeding a three-fold increase of freight, being 165,000,000 1 mile, it earned annually, net, but \$860,000; that at the end of twenty years, to wit, 1884, with stock and debt further increased one-fifth more, and transporting annually 355,000,000 tons of freight 1 mile, exceeding more than sevenfold the freight movement of 1864-'67, it earned annually, net, but \$601,000, when twenty years previously the annual movement of 48,000,000 tons of freight 1 mile yielded net \$650,000, and after 47 locomotive engines had been increased to 168; 36 passenger-train cars had been increased to 120; and 771 freight cars had been increased to 5,278. The downfall in revenue rates for twenty years has been accompanied with but few, and only temporary, checks. The sources for corresponding reduction in operating cost have been substantially exhausted. Nevertheless the railways since 1884, still have had to meet a continuing and apparently never-ending reduction in all traffic rates, although a point had been reached, from the results of their conflict in unrestrained competition, when the cloud of financial embarrassment or bankruptcy threatened to involve nearly every road between the Atlantic sea-board and the Mississippi Valley.

#### WHERE IS THE REMEDY ?

Referring again to the road which was taken for illustrative statement, its average gross freight rate of 1884 had fallen to 0.633 cents per ton mile. Sixty-five per cent. of the road's freight traffic in the total of about 400,000,000 tons, 1 mile, yielded an average rate of but 0.525 cents per ton mile; the average cost rate having been 0.516 cents per ton mile. One of the ablest railway reviewers of the country in a recent editorial upon the "Profits on through trunk line freight," commenting upon the report containing the figures just noted, says of them: "This means that in order to earn 1 cent toward paying interest on the cost of its railroad, this company last year had to haul a ton of through freight 20 miles; to earn a dollar it had to haul a ton nearly 2,000 miles! Does any one believe," he asks, "that this is a rational or healthful condition of things; and should not railroad managers everywhere be encouraged and aided to make efforts to remedy it?"

Apparently the means of remedying this condition of things in rail-transportation rates are not within the control of railroad managers, judging by the trials and results of the past twenty years. The truth as to remedy being, that with well-meant and honest effort throughout, an effort that has not been exceeded in ability and intelligence in any other field of our national progress, no cure was possible from an inherent weakness and defect in the disjointed and unguarded system of American railroad construction, with its kindred evils in operating experience.

Every town has wanted a railroad, and, obtaining it, wanted another; and every trade center has had its rail-connections multiplied and extended throughout the land to compete with or to obtain the favor and control of every possible market. The disposition of the public has been to promote and to push railroad construction everywhere through new projects and by extending old lines, and too many of these enter-

prises have been instigated more by a spirit of wild scheming than by the demands of traffic or which were justified in their financial obligations and outlay by actual business necessities or promised growth. And the multiplying of roads, created as some were with inherent financial weakness not to say rottenness, has produced the inevitable result of continuing the difficulties which have attended the complex question of maintaining agreed rail-transportation rates, especially during periods of commercial depression, local or otherwise. The case has been one of drifting, in which the constant irrepressible changes that had to be encountered were the accompaniment of the extraordinary development of the country's resources during the past twenty years. To a considerable extent the additions to the railway system during that period were and have proven to be deficient in local worth, as well as incongruous and unnecessary, in any proper adjustment to those other lines over which traffic flows from natural law. Herein was cause for additional friction and contest farreaching. But the creation of such unnecessary roads was made easy through the prevalence at times of a spirit of speculation bordering on fanaticism. And in the current results of railroad operation no human power or combination, however united, nor how rightfully actuated in its aim and purpose, for the common weal could do aught but palliate the difficulties. The means whereby a reasonable and legal corrective might be established were and are yet to be recognized and acquired.

#### THE PRINCIPLE OF COMPETITION.

In dismissing from further consideration the causes which have in the main produced the present deplorable condition and results of railroad operation it will be understood that the principle of competition is not to be yielded but is to obtain. It would be impossible for roads through any power of confederation to enforce arbitrary rates. The water routes of the lakes, rivers, and canals will dominate in freight rates so long as grass grows and water runs; and against railway confederation that extortion might follow is the uplifted arm of the law.

But a competition that is wholly unrestrained will ultimately work in these matters a harvest of general disaster. Liberty is not license. Competition may not be limitless. Competition should not be a free-booter in this matter which enters into every material interest of the land and affects the welfare of all people; nor is competition to be permitted to run a muck in the destruction of vested capital.

It may be pointed out that with all railroads between the Mississippi Valley and the Atlantic sea-board bankrupted, and then simultaneously reorganized upon one-quarter, it might be, of their present share capital and bonded debt, still, with a continuance of the practice of unlimited and unguarded railroad construction through paper and credulity, and with the general conduct of rail transportation affairs continuing to exist as heretofore, the result would surely be that in a few years railroad property would become as impoverished and would be threatened in like measure and manner as is the case to-day, in all probability to be finally sunk from sight as an investment.

What then is needed, and what the remedy? Briefly this:

#### AS TO RAILROAD CONSTRUCTION.

The plan and scheme of all additional and proposed railroad and branch construction, including details of location, estimates of cost, and

list of share subscription, must first be submitted to and receive the approval of a State tribunal or of State commissioners.

All shares must be fully paid in cash.

Bonds issued not to exceed in amount that of the share capital, possessing equal voting power with the shares and without right of mortgage foreclosure. The lien of the bonds and their interest being a first charge upon the earnings of the road next after operating expenses, rentals, and taxes.

#### AS TO RAILROAD OPERATION.

Railroad confederation should be legalized. And, next, established rates must be legalized, leaving to the roads, each and all, whether in or out of confederation, the same right as now to make and determine rates under existing special or general statutes of the States. But all rates, passenger, freight, and live stock, must be published in advance, unalterable for a certain period, say, for thirty days, and no change in rates to be made under thirty days published notice in advance. Any person or persons who shall disregard the published rates by allowing or conniving at any form of concession in such published rates, through drawbacks, commissions, or by any form of subterfuge whatsoever, shall, upon conviction, be punished by fine, imprisonment, or both.

A State tribunal or railroad commission to be charged with advisory power and responsibility as to established rates and their maintenance, and to be possessed of full knowledge, through current inspection and reports of the conduct of railway affairs, inside and out.

An effective and general organization of such tribunals and several State commissions might follow, which would be aided by appropriate recognition by Congress. And in maintaining established rates a special department of interstate commerce might be required, having regard to rail traffic coming from or passing through or beyond the United States border.

The CHAIRMAN. I do not know that I entirely comprehend your conclusions; as I understand it, you believe in State control; and when you say "State," you mean the several States in contradistinction from the General Government?

#### STATE CONTROL ADVOCATED.

Mr. DEVEREUX. You say I believe in it; I do not know that I do believe in it. There was a great question of difference of belief that caused a disturbance in 1860 and 1861 as to what the Constitution really meant on the subject *not* of State commerce but of something else. For my own part, I should think it was preferable for the Government to have charge of this matter in the way I have indicated; but from consultation and conversation with lawyers, the most eminent jurists, perhaps as eminent as there are in the country—for instance, such a constitutional lawyer as George Tichnor Curtis—I find the opinions of the majority of these men to be that there is no power, implied or otherwise, in the Constitution by which you could justify or predicate such a right as that in Congress. That being so, if there is any doubt about it, there is certainly no doubt about the right of the State in the matter. I am getting at it in the shortest possible way. If there is a question about it, of course a law might be questioned, and in getting to the Supreme Court a great deal of difficulty and discord would arise. It is, perhaps, a long road in any event to pass over. The road cannot be reached by too short a cut.

The CHAIRMAN. Your view, on conference with prominent attorneys, is that the National Government has no right under the Constitution to control interstate commerce?

Mr. DEVEREUX. The majority of them lean that way; yes, sir.

The CHAIRMAN. And therefore you think that whatever is done ought to be done by the States?

Mr. DEVEREUX. Yes, sir.

The CHAIRMAN. But you do not quite admit that even the States ought to do anything, as I understand you?

Mr. DEVEREUX. Oh, yes; I have stated that distinctly, I think.

Senator PLATT. Something must be done by some governmental authority?

Mr. DEVEREUX. I say either a State tribunal or a governmental board of commissioners.

#### RAILROAD CHAOS IMPENDING.

Senator HARRIS. Assuming that the State has no power to regulate the traffic over railroads or commerce, except that which begins and ends within the territorial limits of the State, and assuming that the Federal Government has the power to regulate interstate commerce, do you think the creation of a national commission, clothed with such powers and charged with such duties as you suggest there with reference to States, would be a wise policy; do you think it would be beneficial?

Mr. DEVEREUX. I do. I do not see any other outcome to it. I apprehend that, as important as you think the subject, as grave as you may imagine the financial questions to be to-day, you do not really take in the destruction that is likely to ensue during the next twelve months if this thing continues. Not that anything proposed here to be done as a remedy could take it up in time; but absolutely the railroad interests of this country are going to destruction. I would hardly like to have this published, as I do not wish to be considered an alarmist; but there will not be as many solvent roads in the country as there are fingers on one hand if the present condition of things is kept up.

#### EXPENSES EXCEEDING RECEIPTS.

What are you going to do? As I say in that statement, the only revenue the road has is its rates. Look at the terrible condition of things on the road I represent particularly. No human being could stand up and undertake to say that there is any adequate return to anybody for the amount of work that we are doing. We are handling 400,000,000 tons of freight. Our road has the seeming appearance of prosperity, while not getting out of its business as much as it pays to do it.

Senator HARRIS. Your statement, with respect to the road by which you illustrate your views, shows a vast increase in stock and indebtedness as between different periods.

Mr. DEVEREUX. It does.

Senator HARRIS. How was that increase created?

Mr. DEVEREUX. I state in my report that it was largely due, but not entirely, to an increased mileage through the acquisition of other lines. Then the increase of equipment I gave to you also as illustrating why the debt was increased.

Senator PLATT. In my endeavor to follow you I thought the aggregate capital was not greater in proportion to its mileage and its equipment than its original capital.

Mr. DEVEREUX. You have that exactly right. I want to say, practically, that I presume there is at least three millions of water in that sum total. I know what you are trying to get at. That came about by adjusting values in the putting in of properties, by saying that one stock was worth 10 or 15 per cent. more than another stock.

The CHAIRMAN. In buying other roads?

Mr. DEVEREUX. Yes, sir; but that counts as nothing in the general result, I think.

#### RATES TOO LOW TO CAUSE COMPLAINT.

The CHAIRMAN. I do not understand you to think that at present there is any controversy as to the rates of freight to be charged, because everything is down so low.

Mr. DEVEREUX. That is it exactly.

The CHAIRMAN. But if there were grounds of complaint, what is your idea of a proper charge for the transportation of freight? On what basis do you make the calculation?

Mr. DEVEREUX. I was very much interested in what passed here this morning. I think these gentlemen this morning were entirely fair. The first speaker, Mr. Pratt, said that so long as pork was \$10 a hundred and wheat \$1.50 a bushel it did not make so much difference what they paid for railroad freight; but when pork got down to \$3 and wheat got down to less than \$1, it made a great deal of difference. I do not know what prices in the markets have to do with regulating railroad tariffs. I have never known it to be so. I have never known a road yet to make a tariff based on either the Wall-street market or the Chicago market.

The CHAIRMAN. What do the roads base them on?

#### HOW RATES WERE ORIGINALLY MADE.

Mr. DEVEREUX. There is a point about that. In the first place, there was no more knowledge of what the cost of service was in the beginning of railroad service forty years ago than there was of the construction of the planet Saturn. It was supposed, in a general way, that what had been the rates existing on post-roads or highways, pretty well augmented, would be a fair rate on railways. There was no system at all. The first freight tariffs were made because the stage lines or some other lines made such and such a rate. The cost was not figured up. They simply, at the end of the year or season, saw how much money they had left. The system of railroad accounts is exceedingly modern.

In fact the way of keeping accounts and of getting at the cost of service is hardly a system yet. As we went on and got charters and privileges we had general laws. To-day every road is under law in every State; and it has the legal right—and that is the basis on which it makes its tariff, or ought to—of charging so much, limiting it to so much for so many miles' haul. Practically it amounts to nothing at all. All it can get is what circumstances will justify in respect to competition; and that is what tariffs are made on.

#### HIGH LOCAL AND LOW THROUGH RATES.

The complaint that was made by the last speaker here, that the rate on the same stuff from New York to Saint Louis was 50 cents, and on like stuff from Saint Louis to St. \_\_\_\_\_



state of things. It works both ways. It is not proven—it is only assumed—that the dollar rate from Saint Louis to Springfield is excessive. I rather think it is not. I think that if there was no road there, a dollar rate would be considered very cheap indeed.

Senator PLATT. If you are carrying freight to New York for 50 cents, and that is less than remunerative, is it not a fact that as between individuals and localities you have to get a better rate where you can?

Mr. DEVEREUX. That is such a vast question, as to what is less remunerative. There is so much business going to and coming from New York, such a large tonnage and such active competition for it that you can only get so much for it.

Senator PLATT. The road you use by way of illustration, and which you are managing, does, I suppose, both a through and a local business?

Mr. DEVEREUX. Yes, sir.

Senator PLATT. A competitive and non-competitive business?

Mr. DEVEREUX. Yes, sir.

#### THROUGH RATES LESS THAN COST OF SERVICE.

Senator PLATT. You complain that you are forced by the condition of business and competition and a variety of circumstances to do through business at what is going to be a ruinous loss in the end. You must necessarily try, under those circumstances, to get something to live on out of the local business more than you would if you were doing a fairly remunerative business on your through traffic.

Mr. DEVEREUX. That is a fair statement. I can answer it distinctly. Our average local rate for the last year was just 1 cent, while our through rate was 5 mills. You would not surely complain of that?

Senator PLATT. No; but suppose you could average it up and say that 7½ mills on all your business was remunerative. Is it fair to the local traffic to charge it 10 while you are doing the other business for 5 mills?

Mr. DEVEREUX. It would seem not at first, but how are you going to help it? The country is so big.

Senator PLATT. You say these rates are too low for anybody?

Mr. DEVEREUX. They are.

Senator PLATT. For the roads and for the public, the producers and the consumers, the general business is ruinous, and that it ought to be prevented in some way?

Mr. DEVEREUX. Most decidedly. The through rates ought to be advanced and held there.

Senator PLATT. If they were advanced to a point where they would yield some return on your capital might not local rates be reduced?

Mr. DEVEREUX. In some cases, decidedly.

The CHAIRMAN. As a matter of fact, are roads carrying through rights now for less than cost?

Mr. DEVEREUX. They are, every one of them.

#### PUBLIC RATES AND NOTICE OF CHANGE.

Senator HARRIS. If all the companies were required to publish rates and to adhere to the published rates under penalties, and not to change them except upon the notice you have suggested, would that be likely to cure or to tend to cure the evil.

Mr. DEVEREUX. I will tell you why it will do so. There is a wonderful power in that public notice if enforced by criminal procedure. I ap-

prehend that very few men, even grasping men or ambitious men, want to pass much time in a State prison, but if they did they could be accommodated, of course. They would not want to go there more than once.

Look at it! Take Saint Louis to-day! Railroads agree to maintain a certain rate on corn from Saint Louis to the sea-board. Recollect, there are thirty competitors here in this city of Saint Louis for every car-load that is to be moved, for every kernel of grain. Thirty living competitors, as fully organized as the trunk lines themselves, to say nothing about the addition of the local representatives to help along. The freight agent or some agent of the line is approached with this statement, "Give me a concession now, a rate of 1, 2, or 3 cents a hundred, and I will give you a consignment of a thousand cars for Liverpool. If you will not do that I cannot give you the freight;" or, "if you will not do it some other fellow will." He gives specious particular reasons perhaps why just at this time it is necessary to fill this contract over across the water. The agent finally yields. It is just that much additional business, of course. "Nobody is harmed," he says, "if we take that thousand cars at that rate." That puts the rate down 3 or 5 cents on 50,000 cars of freight within the next forty-eight hours, perhaps, and at Chicago as well as at other points in the country.

#### EFFECT OF PUBLISHING RATES.

Senator PLATT. If it is found out; and if it is not, it gives that one individual so much advantage over every other individual.

Mr. DEVEREUX. It is found out in some way. So with Chicago and every other point in the country. No person can get a low rate in Chicago without affecting other points. The roads are being ground together in this mill all the time. These rates have got to be public. What is the first effect? It sweeps into the Atlantic Ocean a raft of freight agents. The freight agent does not carry in his hat the different roads.

Senator HARRIS. The agent would answer questions as to rates by pointing to the published schedule.

Mr. DEVEREUX. Every board of trade room would have that schedule of rates in it. The road knows, of course, what the rates are; but if it is going to cut the rates, it is going to do it publicly. Suppose it is done unreasonably? Then this board of commissioners comes in and keeps this suicidal road from doing it. We will get rid of an immense amount of difficulty, it seems to me. It may not be the cure, but it may be a remedy. I do not see any other way out of it.

#### TOO MANY COMPETITIVE ROADS.

Senator PLATT. I would like to ask you one or two questions suggested by your statement. You say we have too many roads. We all see that. You have, for instance, nine trunk lines to New York—more than are necessary to do business; and of course they are going to fight for the business. But the roads are here. Now what are you going to do in that situation? Are you going to fix rates which shall enable them, on the business going to the sea-board, to earn reasonable profits on the entire capital, or are you going to fix rates which shall be remunerative on a capital only which would be invested in roads that are needed to New York?

Mr. DEVEREUX. I will take the New York Central road for illustra-

tion. The average gross rate last year as represented to the State governor was 8 mills per ton per mile. It was a little over that, but that was about it. All the protection that you could give them would not raise their rate to a cent. There would not be any great advantage in it. The evil has been done. We have got to wait until we grow out of it.

Senator PLATT. How long will it take for the country to grow to the point where there will be business enough to make all those nine competing roads to New York fairly remunerative, and give them an opportunity to live?

Mr. DEVEREUX. It will be a long time I should say.

#### THE WEST SHORE WILL BE ABSORBED.

Senator PLATT. Suppose 8 mills per ton per mile will do for the New York Central, will it do for the West Shore?

Mr. DEVEREUX. You want me to answer frankly, do you not?

Senator PLATT. Yes, sir.

Mr. DEVEREUX. I do not think the West Shore road will be a troublesome factor in this question. I think, in the operation of a natural law, it will be exterminated.

The CHAIRMAN. Still the road will be there.

Mr. DEVEREUX. It will be absorbed.

Senator PLATT. How absorbed?

Mr. DEVEREUX. As a side track for some other road. There is no use for it.

Senator PLATT. That involves an addition to the capital of the other road.

Mr. DEVEREUX. Yes, sir; so much loss; but then it is better to have that loss at a minimum than to go on and destroy all the others.

#### RATES NOT INCREASED BY ABSORPTION OF COMPETITORS.

Senator PLATT. The history of the past has been that when that road shall be absorbed the absorber will put up the freights again.

Mr. DEVEREUX. Revolutions do not seem to go backwards.

Senator PLATT. When the New York Central absorbed the Hudson River and the other roads it increased its capital very much more than the cost of the other roads.

Mr. DEVEREUX. That is a fact, but it did not increase the rates. The rates were absolutely reduced.

Senator PLATT. You think, then, it would not result in an increase of rates?

Mr. DEVEREUX. No, sir; that is out of the question.

Senator PLATT. But rates might be very much lowered if those roads had not increased their capital?

Mr. DEVEREUX. Why?

Senator PLATT. Because if there were only capital enough invested to do the business between these points rates might be lowered.

#### COMMODORE VANDERBILT ON STOCK-WATERING.

Mr. DEVEREUX. I think not. I have not seen an illustration and I have had a long experience in it, where the capital or the increase to the capital had anything to do with determining it. It is true that the stock has been watered. To be fair about it, the man who is responsi-

ble for it, Commodore Vanderbilt, said "Why, we have simply issued this stock to represent diverted earnings of the road, which we have been putting in to increase its value and which ought before this to have gone to the shareholders." I do not know whether that is so or not. I only know that he made that statement and figures were submitted. I am not arguing the point that a railroad must necessarily be held to have no increased value. You are taking that position—that is, that a railroad must stand at cost and have no increase.

Senator PLATT. I do not say so.

Mr. DEVEREUX. I thought the idea was that. I will say this, that whether there is more or less water in the New York Central, the same amount of money in cash could not replace that road to-day.

SHOULD CASH OR FICTITIOUS CAPITAL BE MADE REMUNERATIVE?

Senator PLATT. I come back to my original point, that there are too many roads from here to New York and too much capital is invested in those roads. You agree to that. Now, shall that capital, which is invested in those roads, be made remunerative, whether it be actual or fictitious capital, or should only the capital which ought to have been invested in roads between here and New York be made remunerative?

Mr. DEVEREUX. It is a good deal of a question, but is it a necessary question? You cannot make that capital remunerative.

Senator PLATT. It can be made remunerative if the Government has the right to fix rates, and it fixes them high enough.

Mr. DEVEREUX. You will not do that. It is impossible.

RATES HAVE NO RELATION TO CAPITAL INVESTED.

Senator PLATT. You think, if there is any fixing of rates by the Government, that the question of making capital remunerative should not enter into it very largely?

Mr. DEVEREUX. Not at all. Only I think protection should be rendered so as not to destroy what is left; to save what has been heretofore established.

Senator PLATT. The investment must enter more or less into the fixing of rates, must it not? If you had the power to fix rates at what you considered just with reference to your own road, you would consider the investment in it, would you not?

Mr. DEVEREUX. No, I could not. Our road is perhaps peculiar. We have not 20 miles that are not competitive.

Senator PLATT. The fixing of rates is going to do away with competition, is it not?

Mr. DEVEREUX. Not at all. Competition is still open. These roads may or may not be in competition. All the protection we are going to get is that these fellows are not going to "snake" around and steal our business away in the night by paying rebates or commissions.

Senator PLATT. If the Government has the supervision of fixing the rates, that involves the idea that they are not to be cut without notice. Is it your idea that if the Government fixes rates this ruinous competition is going on?

FIXING RATES WILL NOT PREVENT COMPETITION.

Mr. DEVEREUX. No; not the ruinous competition. Competition will go on; yes.

Senator PLATT. If any competition may go on, why may not competition become ruinous under the same circumstances?

Mr. DEVEREUX. Because of the fact that Government has this power, and because of the conservatism arising from the rates being required to be published, connected with what I have stated there in regard to construction. We shall be through with railroad bushwhacking, and we shall come down to investments. These roads that are now injuring us, or that have been injuring us so much from their conception, and because of their misplacement and mismanagement, will have no power through this irregularity of rates, perfectly indifferent as they are to results. They will be restrained in that respect by reason of the oversight which this commission is to exercise over them.

Senator PLATT. I do not yet see how, if railroads are to be open to competition, you are going to prevent the same causes that now operate to make competition ruinous, unless a minimum rate is established below which a road may not charge.

#### MINIMUM RATE NOT APPROVED.

Mr. DEVEREUX. I do not think that amounts to anything. If you are going to do that, you might just as well, and better too, fix rates altogether at all times. If you have the power, and it is expedient to fix the minimum rate, you have the power and it is more expedient to fix the rates at all times. I understand what you are asking me. I cannot answer you as I would like to, because the remedy that I have suggested here, upon which you are basing your question, is not a radical one. It does not put into the hands of any commission, or of any power, the right absolutely to restrain and control.

Senator PLATT. Suppose you had simply this United States law, that with reference to interstate commerce there should be no unjust discrimination and no undue preferences given as between persons doing business with the roads, and that the commission should see that that was enforced, would that accomplish something toward preventing this competition, or would it go on just the same?

Mr. DEVEREUX. I do not think it would amount to anything.

Senator PLATT. How are you going to prevent it? And if you cannot prevent it, what will be the result, except universal bankruptcy?

Mr. DEVEREUX. I have given you my ideas as to the manner in which it might be remedied, as I think, by putting the oversight and control of it into the hands of a State commission or tribunal.

Senator PLATT. Leaving competition open still?

Mr. DEVEREUX. As I say; yes, sir.

Senator PLATT. Unlicensed, unregulated competition?

Mr. DEVEREUX. I do not see any other way than that.

Senator PLATT. That is just what you are complaining of to-day.

#### LEGALIZED POOLING.

Mr. DEVEREUX. In the first place we would have legalized pooling, as I suggested. That we would have to start with. The result of that would be that the bulk or majority of the roads from their experience would confederate. They would divide the business between them. There would be no doubt then but that at the main centers of business, and at the main distributing points of business, there would be a distinct and substantial agreement in respect to the maintenance of rates. The outside roads that were not in confederation would make the rate such as they pleased, but they would make the rate public.

Senator PLATT. Your idea being that if pooling or confederation is

legalized and the contract becomes a legal one, the roads themselves would see to it that they were not broken by other roads designing to reduce the rates for the purpose of competition?

Mr. DEVEREUX. Will you let me read here what I said, for I think you have forgotten it?

Senator PLATT. I have not forgotten it, but I do not think you get my idea.

Mr. DEVEREUX. Let us keep at it until we do, for I want to answer you.

Senator PLATT. The great trouble now is competition. One road is competing with another for business, and is reducing rates in order to get it.

Mr. DEVEREUX. Yes, sir.

#### WHAT WILL MITIGATE THE EVILS OF COMPETITION.

Senator PLATT. Is this your idea: that published rates and legalized confederation will prevent that competition; will largely mitigate it?

Mr. DEVEREUX. It will not prevent it, but it will mitigate largely the evils that exist at present.

Senator PLATT. In what form will the competition exist?

Mr. DEVEREUX. It will be greatly restricted. Those roads that are pestiferous will remain so, and they will either have to be scalped, bought off, or in some way gotten rid of—much of the trouble localized. This trouble is like the human body. It may be said to be affected from the head through the trunk to the feet. The trouble to-day is all over the system. Every vein and every sinew is troubled. We want to get the main arteries and the extremities—the head and the feet—all sound. The hands may be in trouble, and they would be, but we would get at them after a while.

Senator PLATT. Suppose we had your legalized confederation, and we had published rates, but with no power exercised directly by the General Government to prevent competition, what is to prevent your pestiferous freight agent from coming in then and saying, "I have a shipment of a thousand car-loads to Liverpool, and I will let you have it if you will give me a 3-cent rate"? Why would he not do it then the same as he does now?

#### "BUSHWHACKING" PREVENTED BY PUBLICITY.

Mr. DEVEREUX. He would have to give notice of thirty days.

Senator HARRIS. He would have to change the schedule?

Mr. DEVEREUX. Yes, sir. He is not going to give rates in that way. That is just exactly what he cannot do.

Senator PLATT. Then you would do away with competition?

Mr. DEVEREUX. In that sense, yes, sir. I do not call that competition. I call that bushwhacking. I call that highway robbery, if you please.

Senator PLATT. You call it competition when roads deliberately put down their published rates?

Mr. DEVEREUX. Not deliberately, but secretly doing it. Doing it in the way in which it is generally done, when it is not known.

Senator PLATT. That is bushwhacking as much as the other, is it not?

Mr. DEVEREUX. I call it all bushwhacking.

## WHAT COMPETITION IS.

Senator PLATT. What is it, then, that you call competition, but not bushwhacking?

Mr. DEVEREUX. Competition is exactly like this: coming into the open market here and saying "Gentlemen, we will give you these rates. Now do the best you can with them." Competition comes in in a way by which business shall be done satisfactorily in respect to time and rate and condition. That is competition.

Senator PLATT. The one that has the best facilities gets the business?

Mr. DEVEREUX. Yes, sir; it handles the business, but the other class of competition comes in and gets business because it carries it irrespective of everything else except the lowest rate.

Senator PLATT. Competition which gives the best facilities in all respects, of course, is laudable.

Mr. DEVEREUX. With a reasonable rate on top of that.

Senator PLATT. What are these thirty competing carriers over the nine trunk lines?

Mr. DEVEREUX. They are fast-freight-line organizations. Do you want their names?

## COST FREIGHT RATE.

Senator PLATT. Not at all; I simply want to know what they are. Now, you speak, in illustrating by your road, of the cost freight rate. Can you tell us in a few words how you ascertain cost freight rate, or is it too complicated a matter?

Mr. DEVEREUX. There is no complication about it. If you go down the street and fit up your house by buying a stove and range and chairs and articles of that kind, and you had so much money when you started, and you come back and have so much left, you can deduct one amount from the other and ascertain what the cost has been. At the end of the year we have an accurate knowledge of how much our business has cost us to do it, in all details, in every item, and we know what the business has paid. We apply the two results together, and, in order to get the unit of cost, we take the tons that have been moved and see how much it has cost us and how much it has paid. We apply the amount of revenue in the one case and the amount of cost in the other.

Senator PLATT. Keeping your freight and passenger traffic entirely separate?

Mr. DEVEREUX. Entirely separate.

Mr. FILLEY. On through freight and local freight also?

Mr. DEVEREUX. Yes, sir; we have a separate account for both.

## BASIS OF COST FREIGHT RATE.

Senator PLATT. In ascertaining the cost freight do you take into consideration at all the cost of your plant?

Mr. DEVEREUX. The cost of repairs and maintenance, certainly.

Senator PLATT. And only those as chargeable to the freight traffic.

Mr. DEVEREUX. Precisely; freight enters into its part, and the passenger traffic enters into its part.

Senator PLATT. Nothing in the way of return to capital enters into that cost freight rate?

Mr. DEVEREUX. Not at all; it is hard, clean cost; nothing imaginary at all.

Senator PLATT. That would not be exactly the same as the cost of

hauling a single train of cars or a single shipment. It takes into consideration all the expenses of the road which goes toward the maintenance of the freight traffic?

Mr. DEVEREUX. Yes, sir, you have to have a unit of cost, of course; that is the only way to get at it. And, after you have done all that, here you have an engine and train crew; and somebody comes along and says, "Here are forty cars of freight, what will you haul it for?" Of course, you cannot really argue that those forty cars are going to cost you just as much as your average cost of freight.

Senator PLATT. You make it up from the business of the preceding year, or the business of some preceding period as to which you have kept accounts?

Mr. DEVEREUX. Yes, sir; that is the only accurate basis you can have. It is accurate as far as it goes, but it is not a rule that you can rigidly apply to the future.

#### COST OF DOING BUSINESS AT A MINIMUM.

Senator PLATT. You say in your paper somewhere that the reduction of operating expenses and cost of doing business has gone about as far as it can go. Do you think you are right in that?

Mr. DEVEREUX. It has gone farther, I suspect. The roads are getting along by starving. If you have no money with which to pay your hotel bill you may get along probably for a few days, but nature will have its way and you can starve nature too long.

Senator PLATT. If you neglect your road you invite accidents.

Mr. DEVEREUX. You do.

Senator PLATT. I had reference particularly to a reduction in the cost of this business through the adoption of steel rails and better engines, and the cheaper construction of cars and all rolling stock. Do you think that has gone about as far as it can go?

Mr. DEVEREUX. Yes, sir.

Senator PLATT. We have thought in relation to our inventive capacity that we could not make such progress during the next twenty-five years as we have during the past, yet it keeps along in about the same ratio of progress.

Mr. DEVEREUX. We are an inventive people. I am not sure but that some one will get up a patent for running a road for nothing, and perhaps pay something for the opportunity; but I do not think we will quite reach that during the next five years.

Senator PLATT. But do you not think the facilities for reducing the cost of transportation will be greatly enhanced in the future? Perhaps not as much as in the past, but to some extent?

#### ECONOMIES OF MANAGEMENT.

Mr. DEVEREUX. No, sir; the elements of cost are partly mechanical and partly commercial. It is what you pay for your labor and what you pay for your material; and then, in respect to economy, commercially speaking, it lies in your having your cars loaded both ways. A road that can get return tonnage for its cars can be much more economically handled than a road that cannot. You understand what I mean by that, I suppose. So, unless roads to-day—and they are not going to do it—can relatively increase their volume of business by equalizing their trains and loads so as to be uniform, we have got as far in the development of reducing business as to justify the statement that there



will be no very great change by any change in the volume of business, one way or the other.

In respect to steel rails and iron bridges and stone viaducts, all roads have reached that point of replacement where they cannot be improved. The engines have generally, in pretty much every case, been replaced by great engines that will pull at least more than double the load that was pulled twenty years ago, thus reducing the cost of train service.

Senator PLATT. There is one element of expense you would do away with if you could do away with competition. That is, the agents that you employ to get business.

Mr. DEVEREUX. That would be helpful.

Senator PLATT. I suppose it is not a large item.

Mr. DEVEREUX. It is in the aggregate for all the roads, but not for each individual road.

#### SHALL ROADS ECONOMIZE ON LABOR?

I was going to say—and it is an important point—there is just one thing we could economize on. I apprehend no road wants to take it up. That is, in regard to labor. I read to you here what the illustrative road I spoke of paid in dividends twenty-three years ago—10½ per cent.—to its stockholders. Of course, to day it would be said, “Oh, yes, that is a great monopoly. It is making the bloated bondholder more bloated.” When the road did that it did it while paying its labor on the basis of \$1 a day. Last year the basis of our labor was \$1.15 and from that to \$1.25. And I point out to you—I suppose Atkinson has given you the same idea, if you have read his previous articles—that these railroads have done this, and that it has made food everywhere all over the land so cheap.

Senator PLATT (interposing). There is an item which Mr. Atkinson does not take into consideration, however. That is, the fact that there has been a great advancement in the standard of wealth and in the social standard of life in this country. The question is whether labor ought not to share, as well as the other portions of the community, in that advancement.

Mr. DEVEREUX. I want it to, certainly. But another question. With the railroads' earnings reduced, and the railroads not able to pay dividends, why not make a reduction in labor? Our locomotive engineers are earning from \$100 to \$150 a month. Our mechanics are paid more than they were ever paid before. Why not reduce their wages?

Senator PLATT. My answer would be that you would be doing an injury to the country by lowering the price of labor.

Mr. DEVEREUX. You are answering the question yourself now. We want to get the rates up so that we can pay better. That is my idea about it.

#### REBATES AND DRAWBACKS.

The CHAIRMAN. From your experience as a railroad man, would you or not favor the prohibition of rebates and drawbacks?

Mr. DEVEREUX. Yes, sir; I would put a man in jail for doing it.

The CHAIRMAN. If Congress exercises any jurisdiction at all over the subject of interstate commerce, would you object to such a provision in the law?

Mr. DEVEREUX. Not at all. I would be very happy to see it.

The CHAIRMAN. You have already stated your position in relation to the publicity of rates. There has been a great deal of controversy

among men who have come before us on the question whether any legislation should be had by Congress, or by the States either, for that matter, on the long and short haul. As an experienced railroad man, what is your judgment with reference to that policy, looking to the interests of the country as well as to the protection of the railroads, of prohibiting the charging by transportation companies of more for a short than for a long haul?

#### LONG AND SHORT HAUL.

Mr. DEVEREUX. I think I would leave that to the States, just as the State laws are now.

The CHAIRMAN. Some laws are one way and some another.

Mr. DEVEREUX. I understand that.

The CHAIRMAN. The State cannot reach that, so far as interstate commerce is concerned.

Mr. DEVEREUX. I understand you to speak of it with reference to interstate commerce.

The CHAIRMAN. We have nothing to do with anything else. So far as legislation is concerned, we cannot control any State legislation on the subject. We are only seeking to ascertain whether Congress should only pass any law looking to the regulation of commerce between the States; if so, what it should be. Would it be safe or not, and in the interests of the business of the country, to have a provision in the statute prohibiting the charging of more for a short than for a long haul?

Senator HARRIS. More in the aggregate and not per mile?

Mr. DEVEREUX. I think you had better let it alone.

The CHAIRMAN. I would like to get your views in reference to the effect that that kind of a statute might have on a railroad.

Mr. DEVEREUX. In the way it appears to my mind now I will answer it by taking a pencil and drawing a few lines on a piece of paper. A is a point on a river which runs around this way, in that style. This is B, which is another town up here, supposed to be on the Ohio or some other river. There are a great many business communities along here. In the course of time they become enterprising and build a railroad along the river.

The CHAIRMAN. Following the course of the river?

Mr. DEVEREUX. Yes, sir. If you please, we will call that 200 miles around there. Of course, the rates are based on distance. After awhile competition comes in, and a road is built right through here, the distance being only 100 miles. It costs these people just as much, and the road costs just as much to operate as it did before; but this road is only 100 miles long. Now, what are you going to do?

Senator HARRIS. Suppose you take either one of those lines of road and apply the principle that you shall not charge more for a short than for a long haul.

Mr. DEVEREUX. But what are you going to do with the business here?

Senator HARRIS. I want to ask you this question: Here is a point midway, 50 miles from this point and 50 from that; would it be safe to prohibit by law this company from charging more for a car-load of freight to this central point than it charges to carry it to that? That is, charging more for carrying the car-load half the distance than it charges for carrying a similar car-load the whole distance over that road?

Senator PLATT. Do you take into consideration that you have another road there competing?

Mr. DEVEREUX. He does not.

Senator HARRIS. I take the existing fact, that you have this road and that road, and the river.

Mr. DEVEREUX. You are seeking, in enforcing your questions rigidly, to make all communities equal. That is what you are really seeking to do. You cannot possibly do it, for it is against God's law. When the Arab sheik was asked by the English officer, "Don't you believe that all men are equal? Does not Allah say so?" The sheik reached up the skinny fingers of his hands, and said, "Yes, I believe they are all equal, like the fingers of my hand." There is the answer to your question. The fingers of your hand are all as unequal as they possibly can be, and yet in a sense they are equal—equally valuable—as they should be. Do not do more than the Creator has done.

Senator HARRIS. Still I would like to find a reason why this transportation company should charge more for that short haul than for the long one.

Mr. DEVEREUX. You cannot answer the question why it should charge more in any reasonable way.

Senator HARRIS. If there be no reason why it should be done, is it at all justifiable to do it?

Mr. DEVEREUX. Yes, sir; apparently so, from the outlying causes that surround it. In other words, it seems to me to be no injustice to the people there, because if they happen to live there they probably have compensating advantages. It may be from their beautiful location. Perhaps the beauty of the scenery, or the merit of the town, or something of that sort will account for it. I cannot tell.

The CHAIRMAN. Take these trunk lines running between Saint Louis and Chicago and New York. Under the operation of the pool, as long as the pool lasts, the transportation of freight between these competing points is equal, is it not? They run on the basis of distance.

Mr. DEVEREUX. No, sir. That is what I tell you they do not do. Some people want to have it shorter; want to have a less rate because they are longer.

The CHAIRMAN. Still you make an arrangement, and as long as the pool lasts there is an agreed equality there?

Mr. DEVEREUX. Yes, sir; that is true.

The CHAIRMAN. What is the reason that same equality should not extend to places that are non-competing points?

Mr. DEVEREUX. So it could, through the influence of your commission.

The CHAIRMAN. Would there be any danger to the business interests of the country if a law were passed that could prohibit the charging more for a short distance than for a long distance?

Senator HARRIS. Over the same line of road and going in the same direction?

The CHAIRMAN. For instance, freight comes from New York to Saint Louis and on through to Springfield, if you please. As has been stated here it comes from New York for 50 cents, and then from Saint Louis is charged \$1 additional. Is not that a wrong inflicted upon the people of Springfield, Mo., and one for which there is no necessity if railroads would do business on business principles, as you are insisting they should?

Mr. FILLEY. I think the general misunderstood Commissioner Harding on that point. Commissioner Harding complained that they would not permit a through bill of lading from New York to Springfield. But I think the general took up the idea that he was complaining of a dif-

ferent rate of freight upon classification. That is, one class might have been heavy freight and the other light. Did you get that idea?

Mr. DEVEREUX. Yes, sir.

The CHAIRMAN. As I understood Mr. Harding's statement, it was that for the same kind of freight—freight that goes to Springfield, Mo. It is billed from New York to Saint Louis, the railroads declining to bill it any farther; that when it gets to Saint Louis the consignee has to make an arrangement by which it goes on to Springfield, the result being that he has to pay \$1 from Saint Louis to Springfield while he had only to pay 50 cents from New York to Saint Louis. Why is that? And is it right? Would there be any danger in preventing it?

Mr. DEVEREUX. I cannot tell you why it is. Perhaps the rate from New York to Saint Louis is relatively very much lower than it should be and the rate from Saint Louis to Springfield is higher than it should be. There may be different causes.

The CHAIRMAN. And they very probably carry it from New York to Saint Louis at less than cost. That may possibly be the fact, and they may be charging more than cost, and more perhaps than the rate ought to be, from Saint Louis to Springfield.

Mr. DEVEREUX. Perhaps that may be so.

#### THROUGH BILLS.

The CHAIRMAN. As a railroad man experienced in the matter, I ask you whether there is any reason why the New York shipper should not bill that freight clear through to Springfield, Mo.?

Mr. DEVEREUX. There is no good reason that I know of why he should not do it.

The CHAIRMAN. It seems to me it is a means of getting a greater rate on freight on some portions of the line than they get from New York to Saint Louis, because Saint Louis is a prominent competing point, and is the terminus of four or five trunk lines, while the other point is not.

Senator PLATT. That brings us to the idea advanced by one of the railroad commissioners that the freight charges should be regulated by the distance, and that, as I understood him, there should practically be a pro rata charge.

#### RATES SHOULD NOT BE BASED ON DISTANCE ALONE.

Mr. DEVEREUX. Yes, sir. I do not think he is right about that. In other words, I do not think a man, simply because he lives in Springfield, should insist that his freight, wherever it may come from, should come at the same rate per ton per mile from all over the United States to Springfield.

Senator PLATT. You do not think it is either practicable or just to base the rate purely on distance?

Mr. DEVEREUX. No, it is not.

Senator PLATT. Other elements enter in the fixing of rates?

Mr. DEVEREUX. Of course. I will say frankly that there seems to be a wall along the line of the Mississippi River against which rates have been held after the manner of the tide water against an embankment on the one side, that is, west, while it is drained dry on the east. The roads east of the Mississippi River to the sea-board are in the condition I speak of, but west from the Mississippi River they are all getting along reasonably well.

Senator PLATT. In the gathering ground they are getting pretty good rates?

Mr. DEVEREUX. Yes, sir; they are holding those rates from the gathering ground to this embankment I spoke of.

The CHAIRMAN. Until they get here?

Mr. DEVEREUX. Yes, sir; and that is probably the reason they do not want to bill the other way beyond that bank. I am not managing these roads over here and cannot be responsible for them.

The CHAIRMAN. Still, as an experienced man, I would like to know from you, if there are any reasons why that condition of affairs exist, what those reasons are.

Mr. DEVEREUX. There are none.

Senator PLATT. If the roads from New York to the West beyond the Mississippi River were controlled by the same individual or the same corporation there would seem to be greater reason why it should be equalized than if the roads West were controlled by one party and the roads East by another. It can scarcely be fair to ask because the roads East are doing a ruinous and wicked business that the roads West should be compelled to do so also.

The CHAIRMAN. Is it not true that there is that condition of affairs—that some roads pay very much higher rates than others going out of Omaha and running east? Does not that very condition of affairs furnish some reason why Congress, as the only power which can control interstate commerce, should step in and pass some law so as to bring all this interstate traffic under one jurisdiction and control?

Mr. DEVEREUX. Yes, sir; that would seem so.

#### DWIGHT TREDWAY'S STATEMENT.

DWIGHT TREDWAY, wholesale grocer and member of special committee of merchants' exchange, appeared.

The CHAIRMAN. What is your business, and what is your relation to the merchants' exchange or the chamber of commerce of this city?

Mr. TREDWAY. I am in the wholesale grocery business. We appear before the committee as a special committee appointed by the merchants' exchange to represent it here. The committee is composed of Mr. Stannard, Mr. Haarstick, and myself. Mr. Francis is also a member of the committee, but he is absent. Your communication, addressed to President Haarstick, of the merchants' exchange, has been referred to this committee. The railway question, not only on account of the immense amount of capital invested, but by reason of its close relation to every other interest, is worthy of the serious and careful consideration of Congress.

#### NECESSITY FOR DEPARTMENT OF TRANSPORTATION.

The committee believes Congress should at the earliest date establish a department of the National Government to be known as the railway (or transportation) department, for the purpose of obtaining from the railways, and other sources, such information relative to railway transportation as will enable Congress to frame specific or general laws for the regulation of interstate commerce, and thus deal justly by the people and the railways.

With this explanation of our general position, we beg to answer the questions outlined in your circular :

#### EXTORTION AND DISCRIMINATION.

"1. The best method of preventing the practice of extortion and unjust discrimination by corporations engaged in interstate commerce."

Extortion cannot be established without specific knowledge of the cost of transportation, the intrinsic or market value of the railway plant, and the volume of business ; it might be established after a year's business is completed, but not otherwise.

We think the railway or transportation department of the National Government, after careful investigation of specific cases of extortion, should recommend general or specific laws for its prevention.

Discrimination we consider as different from extortion in character, and of two kinds—

Discriminations as between individuals can be prevented by the establishment of a unit quantity of each article of commerce in accordance with its customs, and by compelling railways, under heavy penalties, to accord to shippers of said unit quantity or multiples thereof the same rate.

Discrimination between communities differ from those between individuals. Even-handed justice to one may be real or seeming discrimination to another. Such we think should merit the attention suggested for extortion.

#### THROUGH AND LOCAL RATES.

"2. The reasonableness of the rates now charged by such corporations for local and through traffic."

Through rates now current between competitive western points are unnecessarily low ; local rates are comparatively high. We think they should be modified so as to give all railway interest fair compensation commensurate to service performed ; but believe such result can only be accomplished by laws framed upon information procured through the railway or transportation department of the General Government.

#### PUBLICATION OF RATES.

"3. Whether publicity of rates should be required by law ; whether changes of rates without public notice should be prohibited, and the best method of securing uniformity and stability of rates."

The compulsory publication of rates would, in our opinion, involve enormous and useless expense in the matter of printing and clerical labor. Current rates should be accessible to all in interest ; and rates to commercial centers and immediate local points should be published or conspicuously posted.

Changes in rates should not be allowed without ten days' notice, either by publication, conspicuous posting in depots, or direct information to parties in interest.

The stability of rates is highly important. One railway company should not be allowed to change any rate, publicly or privately, that will disturb the commerce of other centers or sections.

#### MAXIMUM AND MINIMUM RATES.

"4. The advisability of establishing a system of maximum and minimum rates for the transportation of interstate commerce."

We do not believe interstate rates of transportation can be established in accordance with any prescribed formula. Commercial necessities must govern. If inflexible rules to govern rates were made commercial changes would render them abortive.

#### COST OF TRANSPORTATION.

"5. The elements of cost, the conditions of business, and the other factors that should be considered in fixing the tariffs on interstate traffic."

The elements of transportation comprise fixed charges, terminal expenses, and cost of haul. The fixed charges cannot be determined. The terminal expenses can be closely approximated, but the cost of hauling varies from time to time, and can only be approximated by an average of preceding year's business.

#### REBATES AND DRAWBACKS.

"6. Should any system of rebates and drawbacks be allowed? If so, should such transactions be regulated by law and be subject to official inspection or approval? Or should they be entirely prohibited?"

Rebates or drawbacks should be prohibited. We consider them inimical to commerce.

#### POOLING.

"7. Should pooling contracts and agreements between railroads doing an interstate business be permitted, or should they be entirely prohibited by law? If they should be regulated by law, would it be sufficient to require the terms of such agreements to be made public and subject to official approval?"

Pools should be recognized until other means or methods are provided for the absolute maintenance of rates. Their details should be made public. Our objections to pools are, first, their effects upon members are lethargic, rendering railways indifferent to their patrons; second, the diversion of tonnage without the shipper's knowledge or consent has a tendency to seriously disturb commerce. They are only commendable for stability given to rates.

#### SELECTION OF ROUTES.

"8. Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?"

Shippers should be allowed to select their route.

#### UNIFORMITY OF RATES.

"9. By what method can a uniform system of rates for the transportation of passengers and freights by all the corporations engaged in interstate commerce be best secured?"

We do not know a method that will secure a uniform system of rates. The mileage or percentage basis is apparently a failure.

We hold a uniform rate on interstate commerce an impossibility, owing to our rivers, mountains, scattered mines, and industries.

## LONG AND SHORT HAUL.

"10. Should corporations engaged in interstate commerce be permitted to charge a lower proportionate rate for a long than for a short haul? Does the public interest require any legislation on that subject?"

We think railways should be allowed to charge a lesser rate per ton per mile for longer than for shorter distances, inasmuch as the custom has apparently developed the great West, and made our products marketable in the far East and Europe. We do not think specific legislation is required on this subject.

## LARGE AND SMALL SHIPPERS.

"11. Should any concessions in rates be allowed to large shippers except such as represent the actual difference in the expense of handling large shipments over small shipments, and should such concessions be made known to the public?"

No greater differences should exist between rates on large and small shipments than is necessary to compensate the carrier for increased expense and risk entailed in handling the smaller quantity.

## UNIFORMITY OF ACCOUNTS.

"12. Should corporations engaged in interstate commerce be required to adopt a uniform system of accounts?"

The adoption of a uniform system of accounts is immaterial to the public unless it will cheapen the cost of transportation. We think, however, it would materially aid the transportation department of the National Government in their labors, and should be done.

## REPORTS TO CONGRESS.

"13. Is it desirable that such corporations should be required to make annual reports to the Government? If so, what information as to their earnings, expenses, and operations should such reports contain?"

Railways should report quarterly to the Government. Reports should specify miles of main, extra, and siding tracks, miles of steel rail, miles of iron rail, weight of each per yard, cost of construction account therefor, showing right of way, road-bed, bridges, date of construction; subsequent betterments in detail; capital stock, funded debt and floating debt, cost of motive power, engine-houses, shops and shop machinery, freight equipment and passenger equipment.

Report of earnings should specify freight, passenger, mail express, and details of miscellaneous—

Expenditures: Interest, dividends, construction, betterments, rentals, expense of maintaining motive power, maintenance of way, conducting freight and passenger transportation in limited detail, maintenance of freight and passenger equipment.

General expenses: Railways should specially report accidents involving loss of life or property.

Statistics of freight and passenger movement 1 mile: The freight trains and tons moved 1 mile; average haul of freight cars loaded and empty. Similar information should be given relative to passenger business.



## WATER ROUTES.

"14. In making provision for securing cheap transportation, is it or is it not important that the Government should develop and maintain a system of water routes?"

The development of natural waterways by the Government is imperative. Our natural waterways, if properly improved and utilized, will give the commerce of our country more protection against the railway consolidation than any code of laws, at the same time affording facilities for cheap transportation of the low priced products better than the railways could give us under the most favorable conditions.

"15. In what manner can legislation for the regulation of interstate commerce be best enforced? Should a commission be established for this purpose?"

The answer to this question is really embraced in the first.

That is all we have to submit.

The CHAIRMAN. You have had a good deal to do with transportation companies, I suppose?

Mr. TREDWAY. Yes, sir.

The CHAIRMAN. In your experience and observation, do you know of any evils or wrongs perpetrated by those transportation companies which ought to be cured by legislation?

Mr. TREDWAY. Oh, yes, there are some, but I do not know that I can say that they arise from malice, or anything of that sort. There are a great many difficulties that the railroads labor under which it is impossible for them to overcome. They place us at many disadvantages, but I have never known a case myself where, if it was within the power of the railroad company to free us from our difficulties without doing others harm or doing themselves harm, they were not quite willing to do it. That has been my experience.

## THROUGH RATES LESS THAN COST.

The CHAIRMAN. You buy goods in the East, I suppose, and have them shipped to Saint Louis?

Mr. TREDWAY. Yes, sir.

The CHAIRMAN. And you sell goods which are shipped out to the southeast and various portions of the country?

Mr. TREDWAY. Yes, sir.

The CHAIRMAN. What is the fact in relation to the relative cost of transportation between New York and Saint Louis and from Saint Louis out to these interior points?

Mr. TREDWAY. The cost of transportation, as given by the reports of the New York Central and Pennsylvania roads—and I suppose they give as low rates as can be expected from any lines in the country—is greater than the present rates. Probably the lines to the West cannot afford to haul at the same rate per mile per ton that those two roads can; and if we accept the rates of those two roads as being the average rate, the roads are now hauling for very considerably less than they can afford to haul between the sea-board and the West.

The CHAIRMAN. How is it between Saint Louis and farther south?

Mr. TREDWAY. We have not the information on which we can base an opinion in regard to those roads as well as in regard to the trunk lines.

The CHAIRMAN. Suppose you buy a hogshead of sugar in New York, and it is transported from that point to your wholesale house in Saint

Louis. You sell it to somebody in the interior, south or southwest, what is the relative cost of transportation between New York and this point and between this point and the place you send it to?

LOCAL RATES FIVE TIMES AS GREAT.

Mr. TREDWAY. At the present time, the rate on fourth class goods, which comprise the greater part of what we handle, is 16 cents to 18 cents to East Saint Louis from New York, while the rate on the same class of goods sent off to the west or southwest of us—anywhere within the district that the southwestern association controls—would be five times as much as for the same distance from the East.

For instance, the rate of freight from here to Sherman, Tex., on that class of goods is about 80 or 90 cents; and that is about the same distance as from New York to Saint Louis, where the rate is 16 to 18 cents, as I said. If you wish to ask my opinion as to the comparative value of the transportation—that is, what they can afford to do it for, I am not prepared to say that one rate is very much out of line with the other. I think the goods can be hauled from New York much cheaper per ton per mile than they can from here to the Southwest, because the trunk lines have not only this large through business, but they have a large local business; and the railroads leading through the territory covered by the southwestern association have not such a large local business as the Eastern lines. They do not have the tonnage, and of course they cannot haul as cheaply.

The CHAIRMAN. They have to charge a higher rate on that account?

Mr. TREDWAY. Yes, sir.

The CHAIRMAN. You spoke of the rates being five times as great within a certain system of roads. I suppose you mean inside of a district of country covered by roads which are included in the pool?

Mr. TREDWAY. Yes, sir; the southwestern association. That comprises all the territory where we do any business west of the Mississippi River.

The CHAIRMAN. What roads are outside of the pool?

Mr. TREDWAY. None at all. That is, none that we have anything to do with. The Omaha pool, or the northwestern pool, has had some trouble, but our southwestern pool has been solid all the time.

The CHAIRMAN. You do not pretend to give any opinion as to whether or not that charge of five times as much for a given distance between here and Sherman, for instance, in Texas, as between here and New York, is unjust discrimination or extortion, do you?

Mr. TREDWAY. Oh, yes; I have a very decided opinion that the rates from the sea-board to the West are altogether too low. Taking all the four classes together, neither the Pennsylvania Central nor the New York Central, nor any road which does a very heavy business, can afford to haul freight for less than half a cent a ton per mile. On that basis the average rates here at the Mississippi River ought to be in the neighborhood of 50 cents or 60 cents, while the average rate now is certainly not over 25 or 30 cents.

The CHAIRMAN. You do not know whether or not they are charging actually less than it costs them to bring the freight from New York to this point, do you?

Mr. TREDWAY. From all the information that I have ever been able to gain on that point, I think they are hauling freight for about half what it costs them.

## HIGH LOCAL RATES TO EQUALIZE LOW THROUGH RATES.

The CHAIRMAN. Where have they made up the loss?

Mr. TREDWAY. They have not made it up unless they have on their local business.

The CHAIRMAN. Do you think it is right that they should haul freight through one section of the country or over one portion of the line for half what it costs, and then make up the loss on somebody else?

Mr. TREDWAY. No, sir; but then I am not advised that they have advanced their local rates at all during the existence of these very low rates from the sea-board.

The CHAIRMAN. But they cannot live very long and charge half what it costs to do a large share of the business unless they charge too much on the rest of the business.

Mr. TREDWAY. That is very true.

The CHAIRMAN. Would you think any legislation looking to the prevention of that kind of business would be good or bad?

## ELASTIC LAWS, EXECUTED BY A COMMISSION.

Mr. TREDWAY. I should think it would be good. I do not believe, however, that any general legislation can be had that would cover all these cases. I think that laws might be so framed as to leave it very largely to the discretion of men who are thoroughly informed, men of good judgment, to prevent these things; but I do not think that any system of laws that allows no variation in particular cases would serve the purpose.

The CHAIRMAN. What is your idea now of the kind of legislation on this subject which would be safe for the interests of the business of the country?

Mr. TREDWAY. I agree with this report which we have presented.

The CHAIRMAN. You think a commission ought to be created?

Mr. TREDWAY. Yes, sir.

## PROHIBIT REBATES SPECIFICALLY.

The CHAIRMAN. And I believe you say rebates ought to be prohibited?

Mr. TREDWAY. Yes, sir.

The CHAIRMAN. Would you think it would be unsafe to prohibit the payment of rebates by specific statute?

Mr. TREDWAY. No, sir; as far as that is concerned, legislation would be proper.

The CHAIRMAN. I have forgotten whether you favor the publicity of rates?

## PUBLICITY OF RATES, WITH NOTICE OF CHANGE.

Mr. TREDWAY. Yes, sir; I do; but not necessarily publication of the rates in the newspapers. We say, "The compulsory publication of rates would, in our opinion, involve enormous and useless expense in the matter of printing and clerical labor. Current rates should be accessible to all in interest, and rates to commercial centers and intermediate local points should be published or conspicuously posted."

The CHAIRMAN. Ought those rates to be changed without notice?

Mr. TREDWAY. No, sir. We say ten days' notice should be given. But my own personal opinion would be that they should not be allowed

to change without the authority of this national commission, and on still longer notice than that.

The CHAIRMAN. What was your view, as expressed in the paper, on the long and short haul?

Mr. TREDWAY. We think, in answer to the tenth question, that rail ways should be allowed to charge a lesser rate per ton per mile for longer than for shorter distances, inasmuch as the custom has apparently developed the great West and made our products marketable in the far East and Europe. We do not think specific legislation is required on this subject.

The CHAIRMAN. As a matter of fact, in the transaction of business railroads frequently charge more in the aggregate for hauling a short distance than they do for a longer distance. Should that be permitted?

#### MAINTAIN PRESENT CONDITIONS AS FAR AS POSSIBLE.

Mr. TREDWAY. Yes, sir; I think that any system of legislation that would tend to disarrange the *statu quo* of the arrangements which we have had for years and years in the transportation business would do a great deal more harm than any false idea of justice in the making of rates. That is to say, if a thousand or a hundred thousand people have gone into Kansas and other Western States on the idea that they can get transportation for their products to the East, as they can, almost as cheaply as a man who lives in Ohio, I think it would do a great injustice to make a radical change in that respect and to rule all freight down to the basis of distance.

The CHAIRMAN. Ordinarily it ought not to cost more for hauling a package of goods 50 miles than for hauling it 75.

Mr. TREDWAY. No, sir. But then I do not think that is the basis.

The CHAIRMAN. Suppose you were shipping goods from here to New York and from here to Pittsburgh. Would you think it right for the transportation company to charge you more for the goods shipped to Pittsburgh than for those shipped to New York over the same line?

Mr. TREDWAY. Not unless it had been the custom of years that that should be done.

The CHAIRMAN. Suppose it were the custom, what then?

Mr. TREDWAY. I think it would be better to follow custom than to disarrange all business for the sake of conforming it to our ideas of justice.

The CHAIRMAN. Would it disarrange ideas very much to say to a transportation company that it must stop it; that it is unfair to charge more to haul to Pittsburgh than to New York? You might save a few dollars in the operation, if they could be made to stop it.

Mr. TREDWAY. I am inclined to think it would disarrange business, because ever since railway service commenced that has been the rule.

The CHAIRMAN. Do they always charge more, as a matter of fact, between this point and Pittsburgh than they charge to New York?

Mr. TREDWAY. No, sir.

#### WHY ROADS MIGHT CHARGE MORE FOR SHORTER DISTANCES.

The CHAIRMAN. Do you know of any reason why a transportation company should charge you more to Pittsburgh than to New York?

Mr. TREDWAY. Yes, sir; I can imagine a great many reasons which would be very effective in my view.

The CHAIRMAN. What are they?

Mr. TREDWAY. Take this case, for instance: The Iron Mountain road hauls cotton very largely. That is an important factor in its business. Suppose some years we have an entire failure of the cotton crop, and that road is deprived of that revenue. Perhaps it can get lumber somewhere down there that it can haul, if it will make a rate on lumber to a certain point. That road must have business. It must keep its cars employed. It has its track there and so much money invested, and it is policy for the road to make that business. It may be that it costs the road just as much to haul lumber as to haul goods, but still it might make a rate that would just create that business.

The same illustration would serve in the case you mention as between here and Pittsburgh and between here and New York. The roads might make a rate to New York that would just create business for them. I think that is a perfectly proper view to take of it.

The CHAIRMAN. Of course I can see a reason why it might be just to a shipper to charge as little to a point where there was return business, although it was farther away, as to a point nearer by where there was nothing to gather up and load the car with again.

Mr. TREDWAY. No, I do not refer to hauling the empty cars. But I think a railroad has a perfect right to create business for itself by making a low rate on a given article, when, if it charged its full rate, it would not have it to haul. It makes a rate that procures the business.

#### DIFFERENCE BETWEEN CORPORATIONS AND INDIVIDUALS.

The CHAIRMAN. Do you recognize the fact that the railway companies are creatures of the State, and authorized by the act of the legislature or of the General Government, if it is an interstate road and given the right of way, &c., thus placing them on a different basis from an individual engaged as you are, for instance, in commercial business?

Mr. TREDWAY. That is very true. I would concede that much. But I would not say because they were chartered by the government, either State or national, that that deprives them of all rights to use ordinary business methods that are in use by private individuals for the purpose of maintaining themselves.

The CHAIRMAN. A railroad company being a quasi political institution, is it not the duty of the government that authorized its existence to exercise that supervisory control over it that would prevent it, in the lines of ordinary fair business, from doing an injury to one and thereby injuring another person?

#### RULES OF COMMERCE SHOULD PREVAIL.

Mr. TREDWAY. We are getting into a pretty broad and deep question. But I should say it is not the business of the Government to go contrary to the rules of commerce or the rules of business, and that the moment the Government insists on carrying out what might be, in some points of view, considered justice and fairness, but, which at the same time is contrary to all business methods, the Government is not only going beyond its proper power, but is producing results which will finally be disastrous.

Senator PLATT. A natural person has all rights which are not prohibited by law?

Mr. TREDWAY. Yes, sir.

Senator PLATT. An artificial person has only the rights which are granted by law?

Mr. TREDWAY. Should you consider a railway company as entirely an artificial person?

Mr. PLATT. Why not?

Mr. TREDWAY. They have some rights which are not delegated and which they do not derive from the government that charters them.

Senator PLATT. They could not exercise one of those rights without the charter of the government.

Mr. TREDWAY. They could not exercise the right to live without that charter, but, having it, they have acquired some other rights. They have the right to maintain themselves.

#### EFFECT ON THE WEST OF FOSTERING RAILROADS.

The CHAIRMAN. Do you believe the right to maintain themselves and do business necessarily carries with it the right to discriminate in favor of one person or place as against another?

Mr. TREDWAY. We have to take things as they are. This is not an Utopian country or an Utopian government. I think if the doctrine you are outlining had been accepted in the inception of the railway system, and put into force, this place would be a howling wilderness, and that west of this the buffalo would still be on the plains.

Senator PLATT. The difficulty lies here: We will suppose a manufacturing village has grown up 50 miles out from here on a road that runs west from Saint Louis. Fifty miles west of that place the people establish another manufacturing town. Are you going to charge the same rate for freight to the town 100 miles off that you do to the town 50 miles off? Are you going to charge less to the town 100 miles off than you do to the town 50 miles off? If you do you are going to destroy the town 50 miles off. And to complicate the question a little more, we will suppose a competing road comes into the town 100 miles distant, so that freight can be sent to this town cheaper by another route than it can be sent to the other town. We do not pretend to say what shall be done, but we wish to find out from others their views on the subject.

Mr. TREDWAY. In a railway point of view, if I were a railroad man, and this town started up and it could assure me that it would justify me by the amount of business I would get there, I would make the rate the same as to the town this side in order to get the business.

Senator PLATT. The question of Senator Cullom was whether you would make the rate less.

Mr. TREDWAY. If it were to my interest I would make it less. I believe you have to do business on business principles until the law prevents you.

The CHAIRMAN. Which it is very liable to do.

Mr. TREDWAY. Yes, sir; that is true.

#### DISCRIMINATION TO FAVOR RAILROAD OFFICIALS.

Senator PLATT. It is said that there is a certain place up in Washington Territory where persons interested in the Northern Pacific Railway are also interested in land, so that they are giving to the town of Tacoma, which is farther off, much better rates than to the intermediate town of Seaton, thereby building up the town of Tacoma and destroying the town of Seaton, while at the same time the managers of the railroads receive the advantage of an advance of their land. That brings another element into the problem,

Mr. TREDWAY. That brings in another element.

Senator PLATT. But it is business, is it not?

Mr. TREDWAY. No; I do not think it is. That is decidedly outside of business.

The CHAIRMAN. That is not railroading.

Mr. TREDWAY. No, sir; that is not railroading. That is robbery. The railroad commissioners of Illinois a short time ago concluded that they must have rates between Saint Louis and Chicago strictly on a mileage basis, and they put their idea into force.

#### EFFECT OF RATES ON MILEAGE BASIS.

Before that time we had been exchanging goods to a great extent with Chicago. If we had a surplus of some kind of goods here we would send them up there; and if they had a surplus up there they would send them here. We were getting rates at about 10 or 12 cents a hundred to East Saint Louis. The commissioners of Illinois, influenced by the virtuous ideas that you gentlemen are advancing now, concluded to make us pay the full tariff rate. The result has been to cut off all that kind of business. We do not get anything from Chicago now unless we are forced to get it; and they do not get anything from us unless they are compelled to get it. It has cut off thousands and perhaps hundreds of thousands of dollars worth of traffic between the two towns.

Senator PLATT. Suppose a commission should be created as you have suggested, and there should be a law prohibiting unjust discrimination and undue preference, and the commission should be called upon to determine what was unjust discrimination and undue preference. Why could not this whole subject be left to a commission with such powers as I suggest, taking all the facts into consideration? Would they not be likely to come to a conclusion after all that was just and right under the circumstances?

#### A COMMISSION WITH DISCRETIONARY POWER.

Mr. TREDWAY. Yes, sir.

Senator PLATT. Might they not thereby prevent the evils which are complained of and which, if they really exist, ought in some instances to be stopped, without having any specific rigid law governing it?

Mr. TREDWAY. That is very distinctly what we recommend. We say, on the other hand, that any specific laws applying to the whole country cannot fail to be unjust and abortive at the same time.

The CHAIRMAN. They would be unjust if enforced, and would amount to nothing?

Mr. TREDWAY. Yes, sir; would eventually amount to nothing.

Senator PLATT. You have a road running to what is called the coal-fields, and all along that line, 10 or 15 miles out from Saint Louis, there are coal mines?

Mr. TREDWAY. Yes, sir.

Senator PLATT. It would seem to be unfair to fix a mileage rate there, in the first place; but, on the other hand, it would seem to be unfair to give the mine farthest off a less rate than a nearer mine. Without expressing any opinion that I propose to be governed by, I do not see why those matters must not be left to the discretion of the commission.

#### IMPRACTICABILITY OF APPLYING RIGID LAWS TO ALL ALIKE.

Mr. TREDWAY. That is substantially our recommendation. We say further, that any attempt to make cast-iron laws that will apply to all

railroads and all classes of freight and all circumstances cannot be successful. That is our belief.

The CHAIRMAN. It would injure business and would become abortive?

Mr. TREDWAY. Yes, sir. Governor Stanard and Mr. Haarstick are both members of this committee, and are largely engaged in business.

Senator PLATT. As a business man here, do you think you are pretty fairly dealt with in the rates to the East as compared with other points?

Mr. TREDWAY. We have a grievance on the subject of rates from the west to this place, and a very decided one, which, if there were a commission, we should refer to it at once. But so far as the rates from here to the sea-board are concerned we have no special grievance.

#### TREATMENT OF SAINT LOUIS COMPARED WITH OTHER POINTS.

Senator PLATT. You think you are pretty fairly dealt with as compared with other points?

Mr. TREDWAY. We are pretty strictly on a mileage basis as compared with Chicago, and that is all we could ask. But as far as rates from the sea-board to the West are concerned, we are put on a basis of 119 per cent. over Chicago, while on actual distance we are only 116 per cent.; and our east-bound rates are fixed on a basis of 116 per cent.; that is, they count the distance from the sea-board to Saint Louis as 4 per cent. greater than the distance from Saint Louis to New York—4 per cent. more one way than the other.

Senator PLATT. Do you know what the difference is between east-bound freight and west-bound freight between New York and Saint Louis on the same class of freight? Take sugar for instance.

#### THE SUGAR TRADE.

Mr. TREDWAY. I think it is about 20 or 25 per cent. higher east-bound than west-bound.

The CHAIRMAN. On what principle is that so?

Mr. TREDWAY. On the principle that they make the rates. They know that practically sugar comes from the East to the West, and they make the rates in accordance with the facts. They know that grain goes from the West to the East, and they make their rates in accordance with that fact. It would be no advantage to us to have rates very low from New York on wheat.

Senator PLATT. Where does San Francisco sugar meet New York sugar?

Mr. TREDWAY. On the Missouri River. That is the dividing line. It has driven all the sugar away from west of that point.

Senator PLATT. San Francisco sugar, then, has to some extent destroyed your Western trade in sugar?

Mr. TREDWAY. Yes, sir; San Francisco gets the trade. Sometimes we can compete in selling sugar right on the Pacific coast, but not on this side, because they hold the rates.

Senator PLATT. The sugar goes around?

Mr. TREDWAY. No, sir; we can ship it right overland. We can ship sugar to Los Angeles and compete with San Francisco at that point, but when we get nearer home we cannot compete. The reason is that Mr. Spreckels will sell it a half a cent a pound cheaper, so that we cannot compete at this point.



## E. O. STANARD'S STATEMENT.

E. O. STANARD, mill owner, appeared.

The CHAIRMAN. You are engaged in the business of running mills and making flour, I believe, or you used to be?

Mr. STANARD. I am still.

The CHAIRMAN. You understand the general scope of our investigation and the purpose of it. We would be glad to have you give your views in your own way upon the subject.

Mr. STANARD. Of course during my business career I have had considerable to do with transportation companies. This subject that is now under consideration by you we have been giving some attention to. My opinions relative to the matter are substantially those embraced in the report which has been given by Mr. Tredway.

The CHAIRMAN. I suppose you make shipments of flour in nearly all directions?

Mr. STANARD. We send flour all over the East and to the southern part of the country, and abroad.

The CHAIRMAN. From your observation and dealings with transportation companies, do you have in mind any grounds of complaint?

## THROUGH RATES TO THE SOUTH HIGHER THAN TO THE EAST.

Mr. STANARD. On general principles I think I have been treated by transportation companies as well as I deserve. We make large shipments to the East. Of course my trade goes largely from here, and it has the benefit of a through run and a long haul. As a general thing I believe we have no reason to complain about Eastern freight from here. We sometimes think the Southern rates are pretty high, from the fact that they are higher in proportion to the distance than they are to the East.

The CHAIRMAN. How much higher are they in your line of trade?

Mr. STANARD. Perhaps two or three times as high now for a given distance going south (especially into the interior) as they are to the East. But then we must take into consideration the fact (and I consider them so) that the freights to the East are now very low.

Senator PLATT. You would naturally expect some difference between them, would you not, owing to the greater facilities there are for transporting freight east and west?

Mr. STANARD. Yes, sir; there are greater facilities and there is more competition.

The CHAIRMAN. In your dealings with transportation companies, I have no doubt you have occasionally made an effort to get a reduction on shipments to the South. What are the reasons given by the officers of the railroad companies for the difference in rates which they insist upon?

## WATER COMPETITION ENFORCES LOW RATES.

Mr. STANARD. I think we generally get the reply that they are carrying freight at as low a rate as they can afford to on their lines. But, as a rule, where there is water competition, we are able to get a lower rate by the railroad. I think the navigation from Chicago around by the lakes has very much to do with lowering the rates of freights by rail to the Eastern markets; and river navigation from here south to foreign markets, &c., has very much to do with keeping the rates down to the East, to-

gether with the desire of the railroads to get business and keep their rolling-stock employed.

The CHAIRMAN. Having had the pleasure of meeting you occasionally in conventions held for the purpose of taking into consideration the importance of improving the waterways, I judge that you are an earnest believer in the fostering care of the Government over the waterways of the country.

Mr. STANARD. I am, of course, an earnest believer in it from the simple fact that I have been looking at the matter from a personal standpoint as well as in the general interests of the country. I look upon the subject from the general advantage it would be to trade and commerce without considering whether the rates would be lowered to such a rate that it would be unprofitable for the railroads to carry freight. Of course, as a shipper, that is a matter in which I would allow the railroad companies to look out for themselves. I do not know whether or not a railroad can afford to carry a barrel of flour from here to New York for 30 cents, and so far as I am concerned, as a shipper, I am generally looking after the cheapest rates I can get.

#### UNREMUNERATIVE RATES NO BENEFIT TO ANY ONE.

Senator PLATT. Do you believe that all business is benefited by rates which are so low that they threaten disaster and possibly bankruptcy to railroad corporations?

Mr. STANARD. I do not. I think every business should pay a proper profit upon the capital invested; but I have supposed that railroad men would be able to take care of their interests.

Senator PLATT. I can understand how every man may want to get the lowest freight rate he can, but do you believe that the producer or the consumer in the long run will be benefited by freight rates which are not remunerative to the railroads?

Mr. STANARD. I do not.

The CHAIRMAN. I take it for granted you have given thought to the question of what the Congress of the United States should do, if anything, in relation to the control or supervision of interstate commerce?

#### CONGRESS SHOULD PROCEED CAUTIOUSLY.

Mr. STANARD. My opinion is that Congress should go pretty slow upon the subject of regulating, or attempting to regulate, freight rates, especially at this time, when everything is so depressed. I particularly think so when I take into account the fact that the railroad interests are of such enormous magnitude that if they are materially affected the general commercial interests of the country will also be affected. I think Congress should deliberate very carefully, and should have the most thorough and complete information upon the whole subject before they undertake to legislate upon it. I believe that was the view of our committee, as stated in our report here, that there should be a department of the Government to make thorough investigation as to all matters that pertain to railroads, and as to their relations to the country, &c., so as to have the subject most thoroughly understood before any legislation is resorted to of a national character in relation to interstate commerce.

The CHAIRMAN. That is what we are trying now to do, to some extent.

Mr. STANARD. I see you are; yes, sir.

The CHAIRMAN. It is with reference to just the view you have expressed that we are trying to find out, with as much certainty as possible, what Congress can afford to do looking to the protection of the property and business and laboring interests of the country. On the supposition that Congress should take action, after this investigation is concluded, so far as we will be able to carry it on, what would be your idea of the initial step to be taken by Congress in the way of legislation?

#### A RAILWAY DEPARTMENT.

Mr. STANARD. I think that before any legislation is had there should be a railway department, that should acquire—if your committee does not get information enough—all the information bearing upon the subject of transportation and its relations to the country. How soon that department would be able to make recommendations, or how soon it would be able to have sufficient information for Congress to act upon, of course I do not know. It would depend somewhat on the experience of the commission, and the rapidity with which it worked, and the intelligence with which it pursued the subject.

The CHAIRMAN. It has been said by some one that that was all that was sought to be done; that the commission would simply investigate, and would never come to the point of doing anything to protect the people. That is alleged by some men who feel very keenly that some positive legislation ought to be had without delay. With the idea that Congress should enact some legislation looking to the regulation of interstate commerce, how far do you think Congress should go?

Mr. STANARD. In what respect?

The CHAIRMAN. Should Congress pass an act abolishing pools, prohibiting rebates, prohibiting the charging of more for a short than for a long haul, and requiring publicity of rates, by absolute provisions of the law; or should there be simply a commission, with some sort of supervisory or arbitral power, looking to the control or regulation of commerce?

#### LONG AND SHORT HAUL.

Mr. STANARD. I think legislation should be well considered that would contemplate making rates in the same proportion—mileage proportion—for a long haul.

The CHAIRMAN. That is not what I meant to suggest. It is contended by many railroad men, as well as by some who are not railroad men—for instance, by our friend Mr. Tredway, who was just here—that it would not be right to pass a law prohibiting the charging of more in the aggregate for hauling a package of freight 50 miles than would be charged for hauling it 75 or 100 miles.

Mr. STANARD. I should think that matter would have to be controlled somewhat by surrounding circumstances.

The CHAIRMAN. Do you think it would be unsafe to declare by statute that in no case should a transportation company charge more for a short than for a long haul?

Mr. STANARD. I do not think it would be advisable or practicable.

The CHAIRMAN. You do not think it would be safe, in the interest of the business of the country, to put that sort of provision into the statute?

Mr. STANARD. No, sir; not an iron-clad provision of that kind.

## DRAWBACKS, REBATES, AND PUBLICITY OF RATES.

The CHAIRMAN. As I understood the paper of your committee, which was read by Mr. Tredway, you believe in the prohibition of rebates and drawbacks and in the publicity of rates?

Mr. STANARD. Yes, sir. I think the people should be informed thoroughly as to what the rates of freight are.

The CHAIRMAN. If any law were passed by Congress looking to the control of interstate commerce, should it contain a provision for a commission, or not?

## A NATIONAL COMMISSION.

Mr. STANARD. I should think there ought to be a commission.

Senator HARRIS. If there be a reason that will justify a transportation company in charging more to haul a car-load of freight from Saint Louis 50 miles than for hauling the same car-load of freight on the same line of road in the same direction 100 miles, I should be glad to learn the reason.

Mr. STANARD. I think the instances where that would be done would be very scarce. I do not know of such instances in railroading where the discrepancy could be made as strongly as you put it.

Senator PLATT. How far is it from here to Cairo?

Mr. STANARD. I think about 140 miles. I would like to answer the other question a little further. I have an idea on that subject. I think the Senator has put his case a little strongly.

## REASONS FOR GREATER CHARGE FOR SHORT HAUL.

Senator PLATT. The case, however strongly put, involves a principle.

Mr. STANARD. Yes, sir. It seems to me it might be answered in this way: Going upon the supposition that railroads have to pay a profit on the investment in them, in order to be a success to themselves and to the country generally, it might be that they were making rates, brought about by competition either with railroads or with water transportation, by which they would be carrying freight a long distance at a great loss. If the circumstances are such, and if we expect them to pay on their investment, there might be instances where they would have to charge a larger rate in order to get the necessary revenue to make up for it.

It seems to me you would have to legislate against a low rate as well as against a high rate. Going upon the principle that the railroads must pay in order to be a success, it seems to me legislation should provide that the railroad should not carry freight below cost to a given point. If it does, it has got to take more than cost for freight carried to another given point, a shorter distance, where there is no competition. The law of competition will make railroads carry freight at very low rates. River competition in this section of the country will make railroads carry freight at exceedingly low rates. Now, if they are going to carry at a loss in many regions of the country on many long hauls, it seems to me that, to make a success, they have got to charge exorbitant rates on short hauls.

The CHAIRMAN. What object can the roads have in carrying freight at less than cost?

Mr. STANARD. They may not have any object, but they may be

compelled to do it. Competition may compel them to carry it at less than cost, if they carry it at all.

The CHAIRMAN. Had they not better let it alone?

Mr. STANARD. Then comes up the question whether or not they had better let it alone and bear the expense of having their rolling stock and track lying idle, as well as having their general management and superintendence and all their men doing nothing. It is putting an exorbitant expense upon the railroad that has got to be made up somewhere else.

#### THE CAIRO SHORT LINE.

Senator PLATT. Can there be an illustration of that kind found on this Cairo central short-haul line? It is 140 miles to Cairo. That road is in competition with the river.

Mr. STANARD. From here it is.

Senator PLATT. If it takes freight from here to Cairo, it must take it at river rates.

Mr. STANARD. As a rule, I think that is so.

Senator PLATT. But that road runs off into the country to a place, say, 75 miles from here, where there is no railroad or river competition. Might it not be fair to allow it to charge at that interior point a higher rate than it would to Cairo?

Mr. STANARD. If I were running a railroad, and I were deprived of business under circumstances of that kind, I would think that I was unjustly dealt with. In other words, I would hardly be apt to build a railroad, if I were in the railroad business, to such a point as Cairo, unless I had some other point to reach where I could make the investment profitable. I think that would be a practical question in business.

Senator HARRIS. Do you think it is just to the general public, taking the case you have put, for the common carrier to carry long-haul freight at a loss and to the injury of the railroad, and then to recoup by charging more than a reasonable rate upon the shorter haul to a point where the people are completely in the power of the transportation company because there is no other method of getting to the market?

Mr. STANARD. I do not think the railroad man would do that unless he was obliged to by surrounding circumstances. He might have to do it as a matter of self-protection in order to save his property.

#### CARRYING FREIGHT AT A LOSS.

Senator HARRIS. He is not obliged to carry freight at a loss, is he?

Mr. STANARD. If he carries the freight at all, he is, under some circumstances.

Senator HARRIS. But he is not obliged to carry it at all?

Mr. STANARD. You would hardly care to have a railroad unless you were doing some business with it.

Senator HARRIS. If you were losing money by doing that business, I should think the less you did the better.

Mr. STANARD. That may be true; but still you might lose more money by abandoning your line of road, because that would involve a very large expense, and perhaps bankruptcy.

Senator PLATT. Must we not take into consideration the benefit which the whole community derives from the railroad? In other words, to take up my illustration of the road from here to Cairo: It is said that it is unjust to charge a man more for carrying freight to an interior point, which is 100 miles from here, than the charge to Cairo. 140 miles.

But does not the fact that these people there have the benefit of the railroad do away somewhat with that injustice, and make it fair to charge them, after all, a living rate?

Mr. STANARD. I think so. I think the people in this 75-mile instance, where there was no competition, would be a great deal better off with the railroad than without it. It is better to pay the rates charged on that piece of road than to haul their products by wagons. Their farms have been greatly enhanced in value, and it makes them no poorer because a man who is shipping from Saint Louis gets a cheaper rate of freight than they have. Their location happens to be unfortunate. Their land might not be worth as much 75 miles back from the river as is land on the river where there is the benefit of competition by river and railway. But the Cairo man, by virtue of his location, being more fortunate in that regard, does not make the man who happens to be more unfortunately located than he any the poorer. He still is benefited by the fact of having a railroad at all.

#### PUBLIC SENTIMENT REGARDING RAILROADS.

Senator PLATT. Saint Louis is a business point. You look at these questions from the point of a business man. Now, how do you think the public in the interior of Missouri regard railroads? Do you think they believe on the whole that the railroads are fairly conducted in the interests of the people or that they are oppressive? What is the public sentiment on that subject?

Mr. STANARD. My own impression is that the public sentiment of the country is that railroads of course have been a very great benefit to the country generally. It is the most natural thing in the world for a man to want to get the lowest rates he can. If a man at a point 60 miles this side of Kansas City should happen to hear that Kansas City was getting a lower rate to Saint Louis or to the East than he was, it would be the most natural thing in the world for him to complain of it, or to think that he ought to have a lower rate of freight. But, to my mind, that is a very difficult problem to overcome.

Great trade centers always have the advantage. Whether or not they always will have the advantage I do not know. I think during much of the time freights between great commercial centers are exceedingly low, and that railroads could not make money, and could not make the interest on their investments if they depended entirely upon through transportation rates.

#### HIGH LOCAL RATES TO EQUALIZE LOW THROUGH RATES.

If you go back to the principle that the railroad must pay, I do not know how it is going to pay unless more money is charged from local points in order to make up the aggregate earnings. I think that is really the question that has got to be solved. At these trade centers in the western country, like Saint Louis, Kansas City, Chicago, Omaha, and other places, in order to get the business, railroads going to those places from the East to the West, or *vice versa*, have got to give cheap rates, due to competition with water transportation. How they are going to live and avoid going into bankruptcy if they cannot charge high local rates is a question I am not able to solve.

As we have said, we are in favor of water transportation, and of the cheapest rates we can get in order to hold the railroads level and to subserve the general interests of the country. My own impression as

to how this matter of local rates shall be controlled is that it will be a pretty knotty problem for Congress or anybody else to solve. If you can control the freight rates at local points, and keep them down, then, on the principle that the roads must pay, you will have to keep the rates from going down at the main distributing points.

The CHAIRMAN. You must either keep the through rates from going down or let railroads put the local rates up.

#### LONG AND SHORT HAUL.

Mr. STANARD. You instanced the rates from Saint Louis to Pittsburgh and New York. It happened to strike my mind that of course the illustration would not hold good as far as Pittsburgh is concerned, because Pittsburgh gets about a mileage rate between the West and New York. But I do not suppose that would hold good if you started a car-load of flour or other merchandise from here to some point on the Vandalia road, or the Indianapolis and Saint Louis road, where there was no competition or cross line. Your proposition might hold good that the rate was exorbitant, or was very much higher, for instance, in proportion to mileage distance to that point. But it happens that at Pittsburgh, and I presume wherever you would find a cross road—wherever there was competition—the rates are about on the mileage basis.

Senator PLATT. Do the Illinois commissioners fix rates, or does the legislature do so?

The CHAIRMAN. The commissioners fix the rates.

#### THE METHOD PURSUED IN ILLINOIS.

Senator PLATT. While they do not go strictly upon the mileage basis, they do take mileage into consideration in fixing rates. For instance, they charge for 50 miles a certain rate, and they would double that rate for 100 miles farther on, and double it again for 200 miles farther on. I am not giving their actual method of doing it. But cannot distance be taken into account in that manner, so as to make equitable rates?

Mr. STANARD. I should think it might be. It seems to me the railroad company wants to come as near—if it has no higher motive—to doing business and promoting the interests of the people along its line as the circumstances will allow, consistent with its own interests. A railroad company certainly, with a view of doing business, does not want to do anything to a town or city that will ruin its business, because by so doing the railroad would be ruining its own business. The railroad officers are supposed to be as sagacious as most men in regard to matters of that kind.

There may be instances of this nature. We have in Saint Louis complaints that the rates on west-bound goods—say to some point on the Missouri River—would be proportionately less than to Saint Louis; that is probably on account of its being a through haul. The cars go clear through. But, on the other hand, we get even with them when the freight begins to come back again from foreign points, on account of the through rate being lower this way. So, perhaps, it evens itself up.

The CHAIRMAN. You mean when it comes from the West?

Mr. STANARD. Yes, sir; in other words, Saint Louis is not usually a complaining city, and it has a good deal of faith in things generally. There may be an instance of freight starting 200 miles west of Kansas City and going to Toledo at a cheaper rate than the two local rates, first

to Kansas City and then from Kansas City on. But she gets the advantage on freight going back, because she gets a cheaper rate through than the two local rates.

The CHAIRMAN. She is farther off the next time?

Mr. STANARD. Yes, sir; that may be a fair illustration of the business of the country.

#### COST OF THROUGH FREIGHT LESS THAN LOCAL FREIGHT.

The CHAIRMAN. A gentleman in Chicago gave us an illustration the other day of the long and short haul question; he said he could take a train of fifteen or twenty cars and drop one car at this station and another at that; finally, within 20 miles of Council Bluffs, the western terminus of the haul, he could drop off the last car that was to be left before reaching Council Bluffs. He insisted that he ought to charge more, and that it would cost more, for hauling that car to that station 20 miles this side of Council Bluffs and dropping it there than for carrying it through the town and not stopping with it until the balance of the train reached Council Bluffs.

Mr. STANARD. There is no question but that he was right.

The CHAIRMAN. He claimed that he ought therefore to be allowed to charge more for leaving that car, notwithstanding the distance was 20 miles shorter, than for going right through with it.

Mr. STANARD. There is no doubt it would cost more to leave it there than to carry it right on to Council Bluffs.

#### ADVANTAGE OF RETURN FREIGHT.

Senator PLATT. He might get return freight from Council Bluffs, and not from the station 20 miles this side of Council Bluffs?

Mr. STANARD. Yes, sir.

The CHAIRMAN. He would have to go after the car left at that station and take it where it could be filled.

Mr. STANARD. Yes, sir; it would be empty, and it might not be loaded for two or three days, and he would lose the use of the car during that time.

Senator HARRIS. Is there any necessary time lost except in switching the train and leaving the car there?

Mr. STANARD. It might be run on schedule time and be able to go on through. But then it might be detained longer on account of the stoppage and dropping the cars at these stations than if it did not stop.

The CHAIRMAN. There is some additional wear and tear in switching the car off to a side track, I suppose?

Mr. STANARD. I think so; yes, sir.

#### AS LITTLE SPECIFIC LEGISLATION AS POSSIBLE.

The CHAIRMAN. So that your view is, as I gather from your remarks, that just as little specific legislation as possible is the best?

Mr. STANARD. Yes, sir, for the present; until the matter is more thoroughly understood through the country.

Senator PLATT. Mr. Tredway said something about quantity and units in shipments. I intended to ask him about that, but I will ask you. What do you think a unit of shipment is, or are there different units?

Mr. STANARD. I would rather have Mr. Tredway answer that question.



## THE UNIT OF TRANSPORTATION.

Mr. TREDWAY. The meaning of the committee is that there is an actual unit for certain kinds of freight. For instance, a barrel of sugar is the unit of that freight. If it is furniture or stoves or coal oil, the car-load is the natural unit of freight. You cannot very well put other things in that car without risk of damage.

Senator PLATT. We have had some statements to the effect that the car-load should be the unit, and there have been other statements to the effect that 100 pounds should be the unit.

Mr. TREDWAY. That is a point on which we take very distinct issue. We believe there is a natural unit for all kinds of freight, and that natural unit ought to be respected.

## HENRY C. HAARSTICK'S STATEMENT.

HENRY C. HAARSTICK, president of the merchant's exchange, appeared.

The CHAIRMAN. Will you state your position?

Mr. HAARSTICK. I am president of the merchants' exchange, and am also president of the Saint Louis and Mississippi Valley Transportation Company, or so-called barge company.

The CHAIRMAN. And, in addition, are you a merchant?

Mr. HAARSTICK. No, sir; I am only in the river transportation business from here to New Orleans.

The CHAIRMAN. Will you give us your views, in your own way, on the subject under investigation by this committee?

Mr. HAARSTICK. As far as my views are concerned they have been fully expressed by the committee on transportation of our exchange, as read before you here. I have no special views on the matter. I did not look into the matter. After your letter was received notifying us that the committee would be here, the matter was turned over to this committee. It consists of merchants who are the largest shippers of our exchange. They have given this matter thorough examination and their report has been read before you.

The only additional report that I would like to have you hear is one made by the secretary of this committee. There were, some six or eight months ago, considerable complaints made to the president of the merchants' exchange. It was before my time. In January we established what might be called a transportation bureau, or rather a committee on transportation, with a secretary. Mr. Kelly was appointed secretary. He is an expert on railroad matters and has written out a very exhaustive report, and I should like to have the committee hear it.

The CHAIRMAN. We shall be glad to hear it. Will you read the report yourself or let Mr. Kelly read it?

Mr. HAARSTICK. I prefer to have Mr. Kelly read it.

The CHAIRMAN. I would like to ask you some questions first. You are engaged in river transportation?

## IMPORTANCE OF WATERWAYS.

Mr. HAARSTICK. Yes, sir.

The CHAIRMAN. What have you to say as to the importance of waterways as a means of competition with the railways?

Mr. HAARSTICK. I think the waterways of this country are very important. In my opinion they are usually the arbitrators of rates.

The CHAIRMAN. The rate on the Mississippi River affects the whole country, does it?

Mr. HAARSTICK. I think so.

The CHAIRMAN. And so would the rate on the lakes. I believe Mr. Fink has said that the rates fixed when the lakes are open affect the country as far south as New Orleans.

Mr. HAARSTICK. I do not know whether he is correct in that; but we believe that freights on the Mississippi River, especially when we have a good stage of water, affect even the rates on the lakes.

#### EFFECT OF MISSISSIPPI RATES ON EASTERN SHIPMENTS.

The CHAIRMAN. Will you explain how that is?

Mr. HAARSTICK. During the time the river has a good stage of water we believe the rates we make to New Orleans and from there to Europe govern more or less the trunk-line rates to the East.

The CHAIRMAN. On what theory do you think that statement is true?

Mr. HAARSTICK. When I speak of the rates East I mean for European shipment—for the export of cereals. We carry cereals on the river principally.

Senator PLATT. They do not get any less rate at New York on grain for export shipment than on other grain from the West, do they?

Mr. HAARSTICK. No, sir.

Senator PLATT. So that it really affects all rates?

Mr. HAARSTICK. It affects all rates undoubtedly.

#### IMPORTANCE OF DEEP WATER IN THE MISSISSIPPI.

The CHAIRMAN. When there is high water between here and New Orleans, giving easy transportation by water, the rates on the lakes are affected, because if the lake rates are not as cheap as your rates here the grain takes the other course. Is that it?

Mr. HAARSTICK. Yes, sir. For instance, in the month of March of this year my company transported 87,000 tons from Saint Louis to New Orleans. Certainly three-fourths of that was for export.

The CHAIRMAN. What kind of grain was that?

Mr. HAARSTICK. Mostly corn. At present rail rates from here are excessively low. They are lower than they have been before for five or six years.

The CHAIRMAN. Do you mean by water or by rail?

Mr. HAARSTICK. I mean by rail.

The CHAIRMAN. To the South as well as to the East?

Mr. HAARSTICK. Of course if rail rates are very low our rates are likewise low. But by improving the natural waterways, for instance, by improving the Mississippi River, the country could be insured a given rate from here to the South the whole year, with the exception, perhaps, of thirty days, during which time the river might be closed by ice; while now rates necessarily have to change, owing to the stage of water. Take, for instance, the months of August, September, October, and perhaps a part of November, which comprise what we call our low-water season. We sometimes have not over 5 to 5½ or 6 feet of depth in the channel. It costs us then 100 per cent. more to transport the same quantity of grain that it would if we had 9½ to 10 feet of water in the channel, which we do have for the balance of the year.

Senator HARRIS. What is usually the difference between the river and rail rates from here to New Orleans, if there be a difference?

THE MISSISSIPPI ESTABLISHES THE RAIL RATES.

Mr. HAARSTICK. The river usually makes the rate. The railroads try to get the difference between the river rates with the insurance added. They make it that much higher. The river carries more than three-fourths of all the business from Saint Louis to New Orleans, for New Orleans proper. When it comes to points east of that, and it has to be reshipped to New Orleans, then the river does not carry as much, because that is under the control of the railroads, and they can make their rates accordingly.

Senator HARRIS. About what is the difference in time from Saint Louis to New Orleans between river transportation and railroad transportation of freights?

Mr. HAARSTICK. If the river were so improved as to give us a 9½-foot channel, the river could deliver freight cheaper than the railroad by moving it in large quantities. In smaller quantities the railroads might beat us. But we run down in from six to eight days from here to New Orleans, with tows that carry 10,000 tons at a time.

Senator PLATT. How long does it take the cars to go?

Mr. HAARSTICK. That would depend upon how they would run their freight trains. If they ran them quickly, of course they could get down in two and one-half days, I suppose. But that is not usual.

Senator HARRIS. About what is usual, as far as you know?

Mr. HAARSTICK. I would not like to say, for if they are busy it will take them longer than it will take us. At least our shippers inform us so. If they are not busy, they may beat us a couple of days.

LARGE QUANTITIES SHIPPED QUICKEST BY RIVER.

Senator HARRIS. Your idea is that if there were a large shipment of grain to go to New Orleans, you would get the whole shipment there quicker than the railroads could?

Mr. HAARSTICK. Undoubtedly, if we had good water.

The CHAIRMAN. With a depth of water of 9½ feet you can take down in barges 10,000 tons?

Mr. HAARSTICK. With one boat; yes, sir.

The CHAIRMAN. How much is generally taken in one train load?

Mr. HAARSTICK. I do not know that I would be a good witness on that point.

The CHAIRMAN. How much does a car hold?

Mr. HAARSTICK. From 20,000 to 40,000 pounds.

Senator PLATT. It would take from three hundred to five hundred cars to take down 10,000 tons?

Mr. HAARSTICK. Yes, sir. Of course you could get the exact information.

Senator HARRIS. What is the rail distance from here to New Orleans?

Mr. HAARSTICK. It is about 700 miles or a little over. It is about 1,200 miles by river.

DIFFERENCE BETWEEN SHIPMENTS EAST AND SOUTH.

Senator HARRIS. About what is the average rail distance on the lines from here to New York?

Mr. HAARSTICK. I believe it is considered about 1,100 miles by rail. Senator HARRIS. What is the freight rate on fourth-class freight from here to New York and from here to New Orleans?

Mr. HAARSTICK. At present I understand rail rates to be about 13 cents a hundred from East Saint Louis to New York on grain. Our rate from here to New Orleans on the same class is 4 cents a bushel, which is about equal to 7 cents a hundred.

Senator HARRIS. There would be a difference, then, of about 7 as against 13?

Mr. HAARSTICK. As I stated before, the rail rate is unusually low. I have not known it to be so low for five or six years.

Senator HARRIS. The rail rate is low in both directions, East and South?

Mr. HAARSTICK. Yes, sir. To the South it is higher, of course. I had reference particularly to eastern rates. From East Saint Louis to New York was my point.

Senator HARRIS. I understood you to say that from East Saint Louis to New York the present grain rate was about 13 cents a hundred, and that from Saint Louis to New Orleans it was about 7 cents.

Mr. HAARSTICK. Yes, sir; the river rate, the barge-line rate. The railroads do not carry grain from here to New Orleans, claiming that they cannot compete with us, although they have 400 miles less distance to haul than the New York roads or roads running to Baltimore.

Senator HARRIS. What other classes of freight does your barge-line ship South?

Mr. HAARSTICK. We carry pork, flour, corn meal, oats.

Senator HARRIS. On any one of those classes of freight, how do the rates from here to New Orleans compare with the rates from here to New York?

Mr. HAARSTICK. They are lower by railroad to New Orleans than to New York.

Senator HARRIS. The river regulates the rail rates, as I understand you, from here to New Orleans?

Mr. HAARSTICK. Yes, sir.

Senator HARRIS. About what would be the rail-freight charge?

Mr. HAARSTICK. They cannot get any more than the difference of insurance between river and rail, if they carry any.

Senator HARRIS. About what percentage does that amount to?

Mr. HAARSTICK. A very small percentage. The river insurance is about three-fifths of 1 per cent. on the value. On a barrel of flour, it would be less than 4 cents.

The CHAIRMAN. What is the rate on corn by water between here and New Orleans at the present time?

Mr. HAARSTICK. Four cents a bushel; about 7 cents a hundred.

The CHAIRMAN. What is the rate by rail?

Mr. HAARSTICK. The railroads are not carrying corn from here to New Orleans, and have not been to my knowledge, and I have been in the river transportation business for seventeen years. They claim that they cannot compete with us.

Senator PLATT. Unless it is for points East?

Mr. HAARSTICK. Of course we do not run East. Our route is to the South.

The CHAIRMAN. Is the rate of 4 cents a bushel, if one boat can take down 10,000 tons at one tow, a pretty big price?

Mr. HAARSTICK. Four cents a bushel is a fair rate, provided we can do a large business; and I believe we could make that rate the whole year round if we had the necessary depth of water.

## THE GOVERNMENT SHOULD GO SLOW.

The CHAIRMAN. What do you think about the question of regulating interstate commerce by Congressional action?

Mr. HAARSTICK. I agree with Governor Stanard that the Government of the United States should go slow in regulating it.

The CHAIRMAN. Suppose they do go slow, should not the same law prevail over waterways as over railways?

Mr. HAARSTICK. We have no objection to that.

The CHAIRMAN. Do men engaged in transportation by water ever get up any pooling arrangements?

Mr. HAARSTICK. It is very seldom done.

The CHAIRMAN. But it is done sometimes, is it not?

Mr. HAARSTICK. Yes, sir.

The CHAIRMAN. What is the object of that?

Mr. HAARSTICK. To protect property; to protect themselves.

The CHAIRMAN. And to get a higher rate?

Mr. HAARSTICK. Yes, sir.

## LINES FROM SAINT LOUIS TO NEW ORLEANS.

Senator PLATT. How many transportation lines are there on the railroad between here and New Orleans?

Mr. HAARSTICK. There are two at present.

Senator HARRIS. Are there only two regular lines from here to New Orleans?

Mr. HAARSTICK. Yes, sir.

Senator HARRIS. And now, as in the olden time, are there or not many transient vessels that do not belong to regular lines?

Mr. HAARSTICK. Very few.

Senator PLATT. Do the different transportation companies have some understanding with each other about how much they shall charge?

Mr. HAARSTICK. No, sir; we have no understanding whatever.

The CHAIRMAN. You do in your pooling arrangement?

Mr. HAARSTICK. We have no pool now.

The CHAIRMAN. You are engaged in the transportation business. Do you buy corn and transport it yourself and send it to the foreign market, or are you engaged by other people to transport corn?

Mr. HAARSTICK. We are engaged by other people.

The CHAIRMAN. You simply act as transportation agents?

Mr. HAARSTICK. Yes, sir.

## THE ELEMENTS AFFECTING COST BY RIVER.

Senator PLATT. Suppose you had a 9-foot stage of water from here to New Orleans, can you tell us what, under such circumstances, would be the cost per ton per mile of doing the business?

Mr. HAARSTICK. That would greatly depend upon the volume of business we could do. For instance, a boat can take, as I stated before, 10,000 tons to a tow. If we could only obtain a quarter of that to transport, say within a few days, then we could not transport that 2,500 tons for double the absolute cost per ton for which we could take the 10,000 tons. Hence it depends a great deal upon the volume of business as to what it can be done for, and whether you can work ten or eleven months in the year or only two or three months. This plant is on hand, and the depreciation goes on whether you have work for it

or not. Your capital draws interest whether you have work for it or not. All that comes into the question and has got to be taken into consideration.

Senator PLATT. It would increase the volume of business very largely, I suppose, if you had a 9-foot stage of water for all the months of the year except when the river was frozen?

#### IMPROVEMENT OF THE MISSISSIPPI.

Mr. HAARSTICK. I think it would, particularly in low water. Now, our low-water season, I mentioned the month before, usually comes upon us when the new crop of wheat is tributary to Saint Louis, and we know that Europe wants that wheat early if it can be got. We cannot give it to them at as low a figure per bushel, because we cannot carry as much as we could during high water. Of course whatever additional cost we are obliged to charge upon our freight will have to come out of the producer. Europe fixes the price. We come into competition with other countries there.

Senator PLATT. How much do your rates vary in the season when you do have a 9-foot stage of water as compared with the season at low water?

Mr. HAARSTICK. While we carry at 4 cents in the spring, or when we have good water, we are frequently compelled to charge 8 cents during low-water season, because we cannot carry on the same bottom more than half the dead weight; and at the same time our trips are much longer, because we cannot run at nights. We cannot see the channel.

Senator PLATT. That brings the cost up to the present cost by rail to New York does it not?

Mr. HAARSTICK. Yes, sir; fully.

Senator PLATT. And perhaps a little more.

Mr. HAARSTICK. A little more. In other words, we claim to make no money even at double the figure in low water. If we make any money at all we have to make it during high water, and at low rates.

#### RIVER RATES HAVE BEEN DECREASING.

Senator PLATT. What has been the course of the average freight charge during the seventeen years you have been in business; has it fallen, or has it remained about stationary?

Mr. HAARSTICK. No, sir, it has been decreasing. The rate when we first commenced was about 14 or 15 cents a bushel. It has been growing lower and lower.

Senator PLATT. Do you have any such means of reduction through the increase of facilities such as the railroads have? Can you transport cheaper now than you formerly could?

Mr. HAARSTICK. Undoubtedly. In the first place, we understand our business better now than we did at that time. Besides that, the river has been improved somewhat by the use of snag-boats, lights, and improvements by the Engineer Corps. In addition to that, the volume of our business is very much larger, and that decreases the cost.

Senator PLATT. Have there been improvements in your boats and in your machinery?

Mr. HAARSTICK. Undoubtedly. When we first commenced barge transportation we had barges that carried about 650 tons. They were considered excessively large. Our standard barges to-day carry 1,600 tons on 9 feet of water.

## THE EFFECT OF THE JETTIES.

The CHAIRMAN. One of the causes of this reduction is the fact that the mouth of the river has been opened so that vessels can get in and out.

Mr. HAARSTICK. That is undoubtedly one of the great factors.

The CHAIRMAN. That enables you to export corn when you could not do it before.

Mr. HAARSTICK. We could not do it until the mouth of the river was open. It has increased the quantity or volume that we could transport.

Senator PLATT. This grain that you take down in barges is loaded into ships at New Orleans?

Mr. HAARSTICK. Yes, sir.

Senator PLATT. Below the jetties?

Mr. HAARSTICK. No, sir; at New Orleans; vessels come up to New Orleans. I will state that during my time, before the mouth of the river was opened, vessels frequently got aground on 16½ feet of water; now they go out drawing 26 or 27 feet.

Senator PLATT. That does not make any difference with your business, does it?

Mr. HAARSTICK. It does, because it gives us ocean transportation from New Orleans to any given point in Europe, which is a very important factor.

The CHAIRMAN. Ocean vessels can get to the point you reach and take the freight?

Mr. HAARSTICK. Yes, sir.

## INCREASING VOLUME OF MISSISSIPPI TRAFFIC.

The CHAIRMAN. What is the fact as to the volume of products that you have been shipping out through the mouth of the Mississippi River within the last five or six years? Has it been increasing from year to year, or has it fallen off lately?

Mr. HAARSTICK. It has been increasing, and it did increase up to 1882, when our crops in this country were not good as compared with former years and the crops of Europe were very much better than they had been. Exports, as a rule, from this country have been very much reduced for the last three years.

Senator PLATT. I judge from what you say that you regard the problem of wheat-growing in this country, in competition with India and Egypt and Russia and other competing countries, as somewhat affected by what can be done as to transportation on the Mississippi River.

Mr. HAARSTICK. Undoubtedly.

## E. F. KELLEY'S STATEMENT.

E. F. KELLEY, secretary of the transportation committee of the Saint Louis Merchants' Exchange, appeared and said:

The railway question should be considered as a whole, and viewed from a general standpoint and not locally. Notwithstanding the attention given it by State legislatures, it is comparatively new. Only of late has it attracted sufficient attention to warrant the general desire for Congressional legislation.

Its prominence is due to the general search by the people for the cause of our business depression. The depression is partially attributable to the railways and partially to other causes.

#### IMPORTANCE OF THE RAILWAY QUESTION.

The railway question is co-equal with the tariff. In fact it to-day has more attention from the public than the tariff. Notwithstanding its intricacies, it is raised, discussed, considered, diagnosed, and locally treated by almost every community. The railway's share of a bushel of grain or a car of cattle delivered at the sea-board or elsewhere is a simple question of multiplication. Hence many extortions and discriminations have been locally demonstrated and remedies suggested. In consequence of the general discussion, we have a multitude of opinions, and as the tariff question, after years of thought, discussion, and experience is an open one, it is not reasonable to expect an early solution of the railway problem by specific legislation regulating interstate commerce.

State legislation having partially failed to protect the people, and pools having failed to protect the railways, it is now generally conceded that general legislation is necessary. The people are asking for protection against the railways and the railways are desirous of laws or something else that will save them from each other.

#### NEEDLESS CONSTRUCTION AND OVERCAPITALIZATION.

The railways' share of responsibility for the general depression is chargeable to needless construction and overcapitalization. Both are accomplished. The railways are built and capitalized and must remain, doing the best they can, until our population and products suffice for their maintenance. That we have too many railways is indisputable, with four rail and one steamer line for the Pacific coast trade with not enough business for two. The territory between the Missouri and Mississippi Rivers has about trebled the railway facilities required. There are nine lines from Chicago to the sea-board, with business for three or four; six lines from Saint Louis where two or three would serve, and so on throughout the territory east of the Mississippi and north of the Ohio and Potomac Rivers. The Southern and Southwestern States are not so heavily overbuilt, but they have more than enough.

The United States in 1882, with a population of 52,000,000, had 114,970 miles, exclusive of extra tracks and sidings. Europe, with a population of 310,000,000, had but 110,803 miles, whilst the entire world had but 263,500 miles.

If our railways were organized at a cost of construction and equipment based on the current values of labor and material, and without a dollar of fictitious capital, we would still have fictitious capital, or its equivalent, to pay for.

Fictitious capital should be considered as including not only the water but the cost price of the needless mileage, based on current values. In the consideration of the fictitious capital the circumstances governing its creation should be taken into account, many or all of which can be found in the history of construction since 1850 or later. In this connection the following table is of interest:



## STATISTICS OF RAILROAD CONSTRUCTION.

Year.	Miles built.	Miles in operation.	Year.	Miles built.	Miles in operation.
1850	1,656	9,021	1867	2,449	39,250
1851	1,961	10,982	1868	2,979	42,229
1852	1,926	12,908	1869	4,615	46,844
1853	2,452	15,860	1870	6,070	52,914
1854	1,360	16,730	1871	7,377	60,201
1855	1,654	18,374	1872	5,880	66,171
1856	3,642	22,016	1873	4,097	70,268
1857	2,487	24,503	1874	2,115	72,383
1858	2,465	26,968	1875	1,713	74,096
1859	1,821	28,789	1876	2,712	76,808
1860	1,846	30,635	1877	2,280	79,068
1861	651	31,286	1878	2,686	81,774
1862	834	32,120	1879	4,723	86,497
1863	1,050	33,170	1880	6,957	93,454
1864	738	33,908	1881	9,790	103,242
1865	1,177	35,085	1882	11,596	114,838
1866	1,716	36,801	1883	6,754	121,592

Up to 1856, we were building railways as fast and possibly faster than our population and products warranted. At least the panic of 1857 evidently checked construction, which dwindled from 3,642 miles in 1856 to 1,846 miles in 1860. Then came our civil war, during the first year (1861) of which we constructed but 651 miles; 834 miles the second (1862); 1,050 miles the third (1863); 738 the fourth (1864); beginning 1865 with 1,177 miles, and reaching 7,377 miles in 1871, about which time began the depression culminating in the panic of 1873, by reason of which construction waned, reaching 1,713 miles in 1875. Convalescing, we built 2,712 miles in 1876, increasing our construction yearly until we reached 11,596 miles in 1882, relapsing in 1883 to 6,754 miles, fewer in 1884, and comparatively none this year. But up to the close of 1883, we had 121,592 miles capitalized for \$7,495,471,311, or \$61,644 per mile. In the opinion of many \$30,000 per mile is a liberal estimate on present values. On that basis we have an over-capitalization of over 100 per cent. to begin with.

From 1860 to 1880 (twenty years) our population increased 59½ per cent. Our farm acreage increased 31⅙ per cent. Our farm values increased 51⅙ per cent., whilst our railway mileage increased in twenty-three years (from 1860 to 1883) 297 per cent.

Estimating that we have 25 per cent. more railways than are absolutely necessary to market our products (some claim this estimate too low, others too high), and that our railway plant, based upon its earning capacity (not on present cost of construction), is worth \$2,735,820,000, it leaves us with \$4,759,651,311 unproductive capital to pay for. This vast amount of securities could not have been floated without the assistance of the inflated currency of the "Sixties," and the speculative mania incident to the war, and our several business booms.

Needless construction and over-capitalization have had, until within the past few years, another powerful accomplice. The agricultural, manufacturing, and mining interests, hailed every proposed line with joy, welcomed each as a deliverer from commercial tyranny, never thinking of the cost, the future, or the bond-selling scheme, the principal motive. Every new road was to be a "Moses," and was so up to the date of consolidation or pooling. Then another and another "Moses" was invited, went, and formed "mosaic" consolidations or pools. In consequence, the people have asked their legislatures to be a "Moses,"

and have received the retaliative granger laws, framed by men with little or no railway experience and without regard for the defendant or the right. These laws have, by reason of their severity, prejudice, injustice, and impracticability, proved inoperative, as railway intelligence has found a sufficient number of weak points to warrant regard or violation a convenience. In fact, State laws frequently afford excellent opportunities for oppression.

The failure of State legislation has turned the people in another direction. They are now asking Congress to go "pell-mell" into the "Moses" business, and if it does the conditions will not improve.

Over capitilization must regulate itself, and will do so, either through the courts or by suspension of dividends and voluntary liquidation. If the future can be judged by the past and the present, this deduction is fair, considering the following figures.

#### ROADS SOLD UNDER FORECLOSURES.

	1882.	1883.	Total.
Miles of road sold.....	668	1, 190	1, 858
Capital stock.....	\$20, 751, 457	\$24, 587, 704	\$45, 339, 161
Funded debt.....	23, 999, 065	38, 197, 926	62, 196, 991
Bonded debt.....	10, 073, 769	2, 481, 608	12, 555, 377
	54, 824, 291	65, 267, 238	120, 091, 529

This liquidation continued during the year 1884. Up to the present time, this year, the number of receivers appointed has been unprecedented, and the prospects are that the remainder of the year will be more disastrous. Every railway passing into the hands of a receiver renders the situation more complicated. Bankrupt railways, unrestricted by pools, relieved of their bonded obligation, with only renewals and operating expenses to provide for, become formidable competitors of watered lines. With no law but necessity, they will, when necessary to move business, make reduced rates, which other lines must meet or stand out. Doing either will force them to the wall. Thus must the liquidation go on, despite the efforts of watered-security owners. The result is inevitable. European wars or crop failures may postpone it, but under normal conditions it must come.

#### NEEDLESS RAILWAYS.

There are other causes resultant from needless construction and over-capitalization conspiring to this result. Estimating that we have 30,000 miles of needless railways, and the cost of maintaining road-bed, bridges, &c., at \$2,000 per mile (the Pennsylvania Railroad in 1883 cost \$2,800 per mile for maintenance of way), the commerce is unnecessarily taxed \$60,000,000 annually for maintenance of superfluous roads, aside from interest and dividends. In addition to this, there should be considered the present methods of securing business for the needless and over-capitalized railways, illustrated by the following facts:

In Saint Louis we have, with our six eastern lines, twenty fast freight lines, represented by nineteen agents, with their assistants and clerks. Taking salaries, rent, and incidentals, \$400 per month is a low estimate for each office. On this basis Saint Louis commerce is paying annually \$96,000 for service that could be performed by representatives of the

six railway companies at a total cost of six to ten thousand per annum. The fast freight lines are equally well represented elsewhere. Memphis, Evansville, Terre Haute, Indianapolis, Louisville, Cincinnati, Chicago, Peoria, Kansas City, Denver, and other leading Western points each has representatives. Add to this the cost of management, and the expense for fast-freight-line service is enormous. The multiplication of competition by the fast freight-line systems, together with the hunger incident to insufficient tonnage and a general lack of confidence among railway officials, result in war and rate cutting, which the railways now seem powerless to prevent. Another element in the inevitable liquidation is the disposition of railway managers to observe pooling obligations only so long as it is to their interest to do so. If an opportunity offers by which a pooled line can better serve its necessities or interests by violation, there is little or no hesitation in taking advantage of it.

#### RESPONSIBILITY FOR BUSINESS TROUBLES.

The railways' share of responsibility for our business troubles is not due so much to the entire earnings on the entire traffic as to the unequal distribution of the earnings, or high local and low through rates, and the discriminations between individuals and communities. These evils result from war and unhealthy competition; they in turn result from an attempt to earn a dividend on fictitious capital, and fictitious capital is the indirect result of our civil war and business booms.

The high prices current during and after the war furnished the excuse; land grants and speculation incident to the war, and subsequent booms, afforded the opportunity which the cupidity of capital embraced. Hence it is not right or just that Congress should legislate against railway securities to correct the evils and wrongs resulting from the war, commercial intoxication, bad legislation, and popular errors, especially, so as the immense fortunes made in railway building, operating, and bond selling are not now invested in them, but the securities are held by innocent parties in this country and Europe who must take their chances of liquidation. They certainly have the right of self-defense, and Congress has no right to abridge it unless in exercising it they disturb the right of others.

#### CONGRESSIONAL ACTION.

That is the situation to-day, and Congress should interfere and protect the rights of all, but it cannot be done by specific legislation in the matter of rates and classification.

The railway interest of the country nominally represents \$7,500,000,000, the agricultural interest \$12,104,001,538, the manufacturing interest \$2,790,272,606. The railway interest, exceeding as it does half our manufacturing and agricultural interests combined, is so closely identified with those interests and others that legislation affecting it must necessarily affect all other branches of trade.

Congressional rates and classifications would increase the earning capacity of some roads and decrease that of others. In the latter cases you will find the first efforts of railway managers for compensation directed against their employes, of which there are 250,000. Reductions in force or wages will result in labor troubles and riots, with the usual destruction of property, deteriorated service, interruptions of commerce, and the idleness of discharged men.

## DIVIDENDS.

It cannot be denied that railway owners are entitled to the same amount of interest or dividend as if the intrinsic or market value of the railway plant was invested in the best securities. They are also entitled to further compensation for the hazard of the enterprise; and the business involving, as it does, crop failures, war, riot, and the elements, these risks exist and cannot be provided for except by tax on traffic. If Congress would attempt to make laws that would pay such, and the legitimate operating expenses, it would be necessary first to ascertain, from a board of survey, the exact value of tracks, sidings, bridges, depots, terminal facilities, machinery, equipment, &c., of every railway, based upon current prices of labor and material. If correct appraisements could be made they would vary with the market from time to time. After the appraisements were made, the volume of each class of business tributary to each line and its connections would have to be correctly estimated. If a correct estimate could be made, the probabilities of drought, tornadoes, fires, Hessian flies, chinch bugs, grasshoppers, army worms, epidemics, and other calamities would have to be considered.

Specific laws would involve impossible preliminaries, and aside from being inadvisable, they are impossible.

Satisfaction to all would result if the burden of transporting the entire traffic of the country was equitably distributed. To do this it is necessary to modify the great difference between local and through rates, and this reform cannot be accomplished by the present method of war and unhealthy competition.

## RAILWAY WARS.

Railway wars have never been, and are not, waged for the benefit of the public. They are carried on exclusively for the protection of real and presumed rights of railways. A few individuals at competitive points may derive temporary benefits, but the general public is injured by them. The uncertainty of rates during railway wars leads or compels merchants to sacrifice a portion of their legitimate profits in order to protect themselves against an advantage in rates which a rival is presumed to have. Business becomes spasmodic, merchants overbuy to secure advantages in freight rates, and in doing so take unnecessary risk of market, lock up their capital in unsaleable goods, and ask for extensions, or sacrifice their goods to secure funds for maturing paper. Such are the results of open war. When railway strife takes the shape of rate-cutting, all these evils attend, and, in addition, shippers lock up large sums in rebates and drawbacks. Both methods are pernicious, but the practice of private rate-cutting bears the same relation to open wars as the guerrilla to the soldier. The railway losses are generally compensated for by high rates on local traffic, and are subsequently shared by through traffic through the agency of pools. With the exception of forced lessons in economy, railway wars are not beneficial except to a very few, and should be stopped.

## THE REMEDY.

Apparently there is no remedy applicable to the immediate cause of the trouble. Hence it is evidently the duty of Congress to act, and in doing so they should pass certain general laws and leave the details to

a commission composed of railway men of acknowledged ability and of at least ten years' experience, regardless of political faith, selected to represent the various sections of the country.

The commission should have power over railway rates, classifications, divisions, and routes, subject to the decision of the board of arbitration, composed of three, five, or seven members.

Railways should establish rates and classifications in accordance with their views of commercial necessities, and secure the approval of the national board before uttering them. Complaint from shippers or competing railways should be heard by the commission, and, if found worthy of attention or consideration, it should be referred to the railway company complained of, and reasonable time allowed for argument against the change asked, and decision rendered only after argument from both sides, unless the railway complained of fails to respond within a specified time; then decision should be rendered by default, from which there should be no appeal.

Railways should have the right of appeal from decisions after argument, with one or two out of three; two or three out of five; three or four out of seven arbitrators.

The first effort of the board should be against the present low rates on through traffic and high local rates. Congress should enact heavy penalties for unauthorized public or private changes in rates.

The board should insist upon the railways arranging their tariffs and classification without special regard to communities and individuals, but so as to serve their ends and allow the natural laws of trade to assert themselves and respecting the rights of competitors.

There are general principles in transportation which, whilst they cannot be implicitly followed, would, if respected, accomplish results far better than are obtained by present methods. Especially is this the fact in classification, wherein exists general principles that will, with certain modifications, serve as a guide.

#### CLASSIFICATIONS.

Classifications should be arranged so as to compensate the carrier for the room occupied and the risk assumed, thus making one class of freight as desirable as another, from a railway-revenue standpoint; but in order to accomplish the greatest good to the greatest number, and equitably distribute the burden of transporting the entire traffic, this rule should be varied from, in some instances exceeding and in others conceding the railways' rights. Almost every article or family of articles is governed by different circumstances; principles that apply in one direction will not apply in another; articles of like form and weight are of different values; articles of like form, weight, and value destined to one point may require different classes, owing to one meeting the competition of a substitute, whereas, if destined to another portion of the country, they would both take the same class; two articles of like form, weight, and value, if one was largely consumed and the consumption of the other was small, should be classified differently, placing one above and the other below its technical class; crude or partially manufactured articles, moving from or via a manufacturing point or district for manufacture in a district beyond, should be classified relevant to its direct products, otherwise disturbances will occur in manufacturing circles. Or, to illustrate, whisky, glucose, and starch are products of corn; white lead, lead pipe, sheet lead, and shot are the products of pig lead. The cost of manufacturing is about the same East and West.

Hence it follows that a reduction in east-bound rates on corn and pig lead, without a proportionate reduction on their products, will give Eastern manufacturers an advantage, whilst the contrary will obtain from an advance in rates. This principle is recognized by Eastern lines in making the rate on dressed beef proportionate to that on cattle, and the rate on hog product proportionate to that on live hogs.

Again, a classification governing from a manufacturing point to an agricultural or mining point can be made regardless of consideration for two manufacturing districts. A classification governing from Saint Louis to Texas points would not serve from Pittsburgh to Texas points. Another feature in classification is aptly illustrated in the article of barbed wire. Between Pittsburgh and Saint Louis it should bear a close relation to pig and manufactured iron, because it is manufactured at both points, whereas barbed wire shipped from Saint Louis to a timberless country requiring fences would come in competition with lumber. In fixing the relation between barbed wire and lumber railways should not consider the barbed-wire interest, but only their own, and arrange to obtain the same amount of net money on barbed wire sufficient to construct 1,000 yards of fence as they would in the transportation of lumber. To do this they should consider the weight of wire and lumber, rates on lumber, also the durability of wire and lumber fencing. On the contrary barbed wire moving from point of manufacture to a heavily-timbered State might have to take a class as low as coal.

Another important matter in classification is the difference between rates on car-loads and lesser lots of the same article. The differences are justifiable when necessary to protect the railway against loss or damage incident to shipments of small lots in mixed car-loads, or to compensate for loss of space and extra expense in handling. When custom establishes the car-load as the unit of trade, or when the usual manner of shipment is by the car-load, the car-load rate is justifiable. So it is on articles used largely by manufacturers, contractors, builders, railways, mining or gas companies, cities, towns, and counties, and not directly by individuals. But where articles are in common use, as wearing apparel or food, or the means of obtaining them, and are usually sold to consumers by retail merchants, the difference should be carefully guarded, and under no circumstances be allowed to exceed the sum requisite to protect the railway.

The shipment of liquids in cars with other goods is liable to damage adjacent goods. Railways should protect themselves against such liability when articles are for family use by making a lower rate on less than car-loads when in absolutely safe packages, the same rate to apply on car-loads in hazardous packages.

Agricultural implements, wagons, buggies, &c., by reason of their form when loaded by shippers are entitled to car-load rates, owing to the fact that expert loaders employed by manufacturers can much better load a car than laborers usually employed by railway companies. The McCormick harvester and binder loads ten to thirteen to the car, according to the size. Eleven is the average car-load, on which the line from Saint Louis to Kansas City would charge for 24,000 pounds (an estimated weight) at  $27\frac{1}{2}$  cents per hundred, or \$66 per car, or \$6 per machine. These same machines, when racked or crated for single shipment, weigh 1,820 pounds, on which the charge would be, first class, 70 cents, or \$12.74 per machine. If so shipped and loaded by railway laborers from seven to nine machines will be loaded. Taking eight as an average, the car would pay \$101.92, leaving \$35.92 as compensation for handling. The difference would be of no consequence if farmers

received the benefit of the car-load rate, but the agent or dealer, in selling, bases his price on those of the factory, adds his usual profit and the less than car-load rate (\$12.74) (he may knock off the 74 cents), and can then save the farmer the price of boxing, and will have \$6.74 advantage in freight and his usual percentage for his profit. If the railway differential was only protective both Saint Louis and Kansas City dealers would compete for the same farmer's business, and the farmer would get \$3 or \$5 of the freight money and possibly reduce the retailer's monopoly profits.

## DISCRIMINATION.

The rates from Saint Louis, Chicago, Milwaukee, Detroit, and Toledo to all the territory between the Mississippi and the eastern boundaries of Washington Territory, Oregon, California, are governed by the joint Western classification, which is full of car-load errors, discriminating against the above-named points and all others on or east of the Mississippi River competent and desirous of competing for the retail trade.

These discriminations are treated in a pamphlet issued by the transportation committee of Saint Louis Merchants' Exchange. The committee will probably hear more of it during your Western tour, for which reason your attention is especially called to the subject. Advocates of the car-load rate on articles termed in the pamphlet "Merchandise" justify it on the wholesale *versus* the retail principle observed by merchants in selling one thousand sacks of coffee cheaper per pound than would be charged for one hundred sacks. The defense is usually accepted, but it is a fallacy, and to demonstrate it your attention is called to the similarities of expenses in—

*Railway transportation and merchandising.*

[A, or fixed charges.]

Wholesalers' or jobbers' expenses.	Railway companies' expenses.
Rent and taxes.	Interest on bonds and rentals.

[B, or general management.\*]

Heads of departments, general book-keeper, and watchmen.	Salaries of general officers, president, superintendent, general freight and passenger agents, &c., station agents.
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[C, terminal charges.f]

Assistant book-keepers, entry clerks, porters, &c.	Station cashiers, bill clerks, check clerks, collectors, messengers, &c.
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\* These expenses are necessary whether business is large or small. During extreme depression they may be slightly reduced, otherwise they are practically fixed.

† These employes are usually engaged by the month and are retained during temporary depressions, the loss being compensated for by over time during "booms." During continued depression they can be reduced in force, and the expense can be regulated from month to month.

[D, terminal expenses.\*]

Store laborers are hired by the week, extra labor by the day. Drayage is done by contract; costs a fixed sum per hundred pounds or package. If the merchant owns teams they can be hired out during dull times, either by the day or job, and are thus self-sustaining.

Freight-house laborers, yardmen, switchmen, engineers, and firemen on switch engines are paid by the day. The wear and tear, oil, and fuel for switch engines is proportionate to the work done. During continued depression they can be laid off. The engine can be housed without expense, as the interest on her cost is included in the interest on bonds (equipment).

[E, dividends.]

The merchant's profits.

The stockholder's dividends.

The foregoing covers all the expenses of the merchant and all those of the railways, except the cost of hauling between stations, yet the wholesale *versus* the retail principle justifying the lesser rate for car-loads on "merchandise" is not found.

The "wholesale *versus* retail" principle obtains in the sale of one thousand sacks of coffee in the place of one hundred sacks, for the following reasons and no others:

First reason: The merchant relieves himself of the risk of the market on 900 sacks.

Second reason: He saves the interest on the capital invested in 900 sacks.

Third reason: He deprives a competitor of the sale of 900 sacks.

Fourth reason: By selling the 1,000 sacks he will have time and opportunity to secure other customers, increase his annual sales, say, from 300,000 sacks to 500,000, and thus increase his profits without increasing his general expenses and fixed charges.

Fifth reason: The time of salesman, expense of entries, making shipping receipts, accounting and collecting, are about the same for the 1,000-sack sale as for a hundred-sack one. In this item there is a great percentage of economy.

Sixth reason: The expense of marking, weighing, handling, and drayage will be about the same per sack on a hundred-sack lot as on 1,000, or 500,000 sacks as on 300,000. Consequently there is no reason for the cheaper prices in this portion of his expenses.

#### THE WHOLESALE AND RETAIL PRINCIPLE.

The "wholesale *versus* retail" principle of commerce will be waived if the purchaser will agree and guarantee to buy 1,000 sacks in lots of 100 as needed, and thus assume the risk of market; by so doing he can buy coffee in 100-sack lots at current cost, plus the same rate of profit charged per pound or sack, as the wholesaler makes in the sale of 1,000-sack lots.

This is the mercantile hypothesis. Now, take the railways; and for illustration take: One straight car-load, 200 sacks of coffee to one consignee, and one mixed car-load, 200 sacks of coffee to twenty consignees. In the consideration of this case it should be remembered that what is termed merchandise when in straight car-loads, destined to joint western territory, is usually handled through the "house" or freight depot.

\* These expenses are proportionate to the traffic, and can be regulated from week to week, and partially from day to day. Consequently the expense is about the same per ton, barrel, or sack during brisk and dull times.



Only very heavy and unwieldy or light and bulky articles are loaded by shippers directly into cars to run through without breaking bulk. Such freight comprises a very small proportion of the merchandise.

With this explanation it is assumed the two cars of coffee will be received and delivered through the "house." Hence the deductions are:

First deduction: The expense of receiving, checking, loading, unloading, delivery, switching, and hauling the car will be exactly the same on each car-load. Nothing saved by the railway.

Second deduction: The expense of stationery, way-billing, expensing (making the receipts for property and money), and collecting will be less for the straight than for the mixed car-load, inasmuch as but one way-bill (a quarter sheet) and one expense bill is used; whereas the mixed car requires one large way-bill ("blanket-sheet") and twenty expense bills are used. In the examination of extensions and footings on the "blanket," also in expensing and collecting, the clerical labor is twenty to one; but in the accounting to the general office the labor of reporting the "blanket" is no greater than for the quarter sheet. In estimating the extra clerical labor, the fact that large railway stations are usually well manned, and can take care of ordinary rushes, the clerks working overtime without extra pay, should be considered.

#### STATION EXPENSES.

In this connection the following information relative to station expenses may be of interest. One of the large Western roads, east of the Mississippi, over 1,200 miles in length, during 1884 kept account of freight handling at stations. At one station it handled 48,029 car-loads, of which 38,392 were handled at platform. Each car averaged 10.65 tons. Costs for agents, cashiers, clerks, laborers, watchmen, messengers, station fuel, light, water, and repairs amounted to 73.31 cents per car, or 6.86 cents per ton, or .343 of 1 cent per hundred pounds.

The railway hypothesis fails to reveal the wholesale *versus* retail principle to any great extent. The only economy in car-load shipments is the risk of damage to other goods, from leakage, absorption, and chafing, some economy in space, and very little in billing, expensing, and collecting; the economy in space is generally overcome, and is frequently against car-loads; roads can often economize in equipment by loading heavy and light freight together, such as coffee and coffins, sugar and sieves, bar iron and baskets, pig lead and feathers, whisky and wool, whilst the economy in space is the only justification for the car-load.

The fifth and sixth features in selling the thousand sacks of coffee have parallels in transportation. The car-load advocate may claim a similarity to the third reason; that by shipping 200 sacks at one time he is depriving a competitor of hauling 180 sacks. But under present pooling arrangements his company will receive its share of tonnage, or its money equivalent, whether the business moves one time or another, to-day, to-morrow, this week, month, or year, or next week, month, or year. Even without a pool, with rates maintained, the constant solicitation, together with the changing preferences of shippers, will secure every line its legitimate share of business; and more it should not have. They may claim a similarity to the fourth reason, and are entitled to it, if they can demonstrate how a car-load rate will increase the consumption of coffee; but no simile can possibly be cited for the first and second reasons—the principal ones.

## CAR-LOAD RATE.

The car-load rate is a very important matter. Any differences between the car-load and the less than car-load rates on merchandise will be found inimical to commerce, depriving the retailers, and, through them, the consumers, of the benefit of mercantile competition, as jobbers and wholesalers so favored, obeying natural instincts, will only use a sufficient proportion of freight advantage to monopolize a territory, after which they will absorb it all.

The relations between the railways and the merchants should be the same as those between a principal and broker. The merchant is a commission agent or a broker for the people, his legitimate profits being his brokerage or commission, and railways should not treat them otherwise, as any difference will find lodgment in the pockets of the middlemen and not reach the consuming masses, the only class entitled to any consideration after the legitimate demands of the railway are satisfied.

As the people ask for protection against the railways, it is but fair to protect the railways against the people; and in this connection comes up the subject of evasion, classification, underbilling, and smuggling. The practice has become so general as to compel railways to organize inspection bureaus and maintain at principal junctions and termini freight inspectors and gangs of men for detection of frauds. These bureaus of inspection are expensive and must be paid for by the traffic. The practice should be legislated against, not only for protection of the railways and in the interest of economy, but for protection of merchants, as it enables one dishonest shipper to either deprive his legitimate competitors of their trade, or corrupt them. Any pool commissioner is qualified and will give the Senate committee specific information on this subject.

## COMMERCIAL NECESSITIES GOVERN RATES.

Rates cannot be fixed by formula. Commercial necessities must govern; and, in recognizing that law, railways, or a national commission, must recognize the railways' legitimate rights, and also consider the principle of the greatest good to the greatest number. Or in other words, co-operation is the true basis for rate making on both State and interstate commerce. The railways should have legitimate cost of transportation, and the producer the cost of production. Margins between the consumptive value or export price at sea-board and cost of production and transportation should be shared between producer, manufacturer, wholesaler, retailer, and the railway.

On general principles the rates from an intermediate local point should not exceed the rate from the nearest terminus or competing point back of it; rates from a terminus or junction point to destination should not exceed the rate charged from same junction or terminus to same destination on shipments received from connections. These principles are founded on the belief that common carriers should make no distinction between individuals, and that shippers with a car of hay, grain, cattle, lumber, or any other unit of trade established by commerce are entitled to the same rates regardless of habitation, and that a railway's first unselfish obligation is to its local patrons. Under existing modes of division (the percentage methods), these results could not be obtained; but as the mileage basis has been acknowledged a failure, some other method should be sought for. The mileage basis of rates is evidently wrong, as it does not recognize commercial necessities or any direct competition beyond its control, except that of lake trans-

portation. In addition to these defects, it confers needless advantages, illustrated by the fact that near Chicago the basis of rates from many junction points are the same as from Chicago, but the initial lines by agreement hold rates from some of the junction points 3 to 5 cents higher without detriment to the commercial interests they serve.

The percentage tables governing rates between the West and the sea-board are inconsistent. There are two, the east and west bound, made independently. The distance from East Saint Louis to New York (per the east-bound table) is 1,055 miles, or 116 per cent. of Chicago, whilst the distance from New York to East Saint Louis via the same lines is 1,144 miles, or 119 per cent. of Chicago. It was formerly 1,173 miles, or 122 per cent., but several years ago the trunk lines shortened their line 29 miles, by resolution.

The percentage method of division based on mileage is manifestly wrong, inasmuch as it allows each component road the same rate per ton per mile, thus enabling one road to thrive whilst its allies can barely exist, or may possibly lose money in transporting the same traffic. In the division of rates the physical abilities and disabilities, and the volume of traffic of each road should be considered, as it is generally admitted that lines east of Buffalo, Pittsburgh, or Parkersburg, by reason of larger tonnage, can carry freight cheaper than Western roads with limited tonnage.

In 1883 the cost of hauling one ton of freight 1 mile was .447 of 1 cent on the Pennsylvania, and .55 of 1 cent on the Pittsburgh, Fort Wayne and Chicago, or 23 per cent. greater.

With the mileage basis for rates and divisions a failure, there is but one other left: *i. e.*, a combination of short line minimums shall make rates between all points, allowing longer line to prorate on agreed per cents. Such a formula would entail careful and constant study of commercial necessities and railway abilities and disabilities, and if the cut in a rate by a long line involved the rates on its local business, there would be less of the free-hand competition that all are now suffering from.

The foregoing are ideal generalities. They cannot be realized at once. But they should be striven for; and railways by conservative and honest efforts, with the assistance of a national commission, would certainly approximate them and vastly improve existing conditions.

#### THE MILEAGE BASIS.

The mileage basis for a national tariff is impossible. Under it you would divert the products of Northern Wisconsin and the Northwest, destined to the sea-board, to the Canadian railways. Under it the exports of Texas, Colorado, New Mexico, Kansas, Arkansas, and Louisiana, would seek foreign vessels at Gulf ports, putting the profits of transportation into the pockets of foreign railway and vessel owners. So long as we have no merchant marine the object should be to shorten the ocean and increase the American railway haul when practicable.

In making rates no attention should be paid to comparisons of the rates of too remote sections, as they are contingent upon population and products. A comparison of earnings and expenses of the Long Island road (it is cited on account of being purely local, not doing any export business) with those of some line west of the Missouri River of equal length will be of interest. Local rates should meet the legitimate demands of the railway; if they are apparently exorbitant, the condition of society, the value of property, &c., should be considered. The

progress of States shown in the following table may be of interest in this connection :

	Population.	Improved farm acres.	Value of farm stock.
<i>Massachusetts.</i>			
1850 .....	994, 514	2, 133, 436	\$121, 933, 641
1860 .....	1, 231, 066	2, 155, 512	139, 888, 690
1870 .....	1, 457, 351	1, 736, 221	138, 482, 891
1880 .....	1, 783, 085	2, 128, 311	164, 288, 956
Increase for thirty years .....	788, 571	*5, 125	42, 355, 315 195, 623, 848
<i>Illinois.</i>			
1850 .....	851, 470	5, 039, 545	126, 748, 109
1860 .....	1, 711, 951	13, 098, 374	498, 680, 780
1870 .....	2, 539, 891	19, 320, 952	1, 104, 839, 631
1880 .....	2, 077, 871	26, 115, 154	1, 175, 772, 293
Increase for thirty years .....	2, 226, 401	21, 075, 609	1, 049, 024, 184
<i>Nebraska.</i>			
1850 .....			
1860 .....	28, 841	118, 789	3, 878, 320
1870 .....	129, 993	647, 031	30, 242, 188
1880 .....	452, 402	5, 504, 702	105, 932, 541
Increase for thirty years .....	423, 561	5, 385, 913	102, 054, 215

\* Decrease.

In considering the question of rates for the entire country the national commission should consider the changes that have occurred and will occur in States, not only in the earth products but in manufacturing. By reference to the foregoing table, it will be seen the farm acreage of Massachusetts decreased in thirty years 5,125 acres, whilst population and value of farms increased. The character of crops in Massachusetts has changed from cereals to fruit and truck. Her manufactures will change. The South will manufacture cotton goods, the West will make its own hardware, and thus limit Massachusetts to a comparatively local territory. Changes of this kind will occur everywhere, reducing the interchange of commodities between States, and eventually limiting such interchange to articles that cannot be raised or made at home. Hence the interstate traffic of railways will not be as great per capita as now, compelling the railways to look to export business for increased traffic. At present Russian and Indian wheat establishes the price for American wheat in foreign markets, under the present railway system. The sea-board rate on export business applies to domestic business. An open rate to New York on export business not only applies to articles consumed there, but on the entire traffic of New England, New York State, Pennsylvania, New Jersey, Delaware, Maryland, and portions of West Virginia, Virginia, and the Carolinas. If the export business could be treated as entirely distinct and separate from the domestic, railways could afford to and no doubt would be glad to have export business at a very small margin above absolute cost of transportation. Such treatment would be discriminative, but the greatest good to the greatest number would warrant it, provided the rates on domestic business were reasonable.

Assuming that our capitalization will regulate itself in the course of time, there should, however, be enacted strict laws relative to organization, so as to prevent it in future corporations chartered to build new

or to reorganize bankrupt lines. Notwithstanding that capital is today more cautious and intelligent than it ever has been, and that present holders of securities will not forget the lessons of the present, there will be a new crop ready to back their judgment with their money, disbelieving the legends of the present posterity.

#### LIMITATIONS TO CHARTERING NEW ROADS.

Charters for new roads should not be granted unless it can be clearly shown that such new lines will not interfere with the legitimate business of existing or the territory of chartered ones. Such a law would not be popular, as it would bar many communities from the benefit of direct compensation, but if the people will consider that two railways competing for the same business, after the first or second struggle, generally pool their issues, they will admit that competition does not always compete, and will recognize the fact that they can support one road cheaper than they can two.

Where charters are granted maximum capital stock and funded debt per mile of main track should be specified. Capital stock should be paid up. It should at least bear the responsibility of its face value.

Charters should not be granted in one State for construction or operation of railway in another.

Pools are the result of railway wars. They are not public benefactors, but as they are the only recognized agency for the maintenance of rates, they should be recognized until a substitute is provided. It is not clearly seen how a publicity of their details would benefit the public, or why they should be concealed from it.

#### SHIPPER'S RIGHT TO SELECT ROUTE.

Shippers should be allowed to select their route, so long as the selection does not deprive the initial from earning the maximum revenue a mile. Three hundred miles long should not be compelled to sacrifice its revenue by diverting a shipment midway when it could serve the end equally well by hauling the shipment its entire length.

#### LONG AND SHORT HAULS.

Railways should and do make a lower rate per ton per mile for a long than for a short haul. This is the wholesale versus retail principle of transportation, but this principle should not be carried to extreme, *i. e.*, to haul competitive freight at a loss greater than if the business is not taken and compensate for the loss by increasing charges for short hauls. No concession should be granted shippers of large lots. The unit of trade should govern, and the shipper of a unit or any multiple thereof should have the same rate.

#### WATERWAYS.

The natural waterways are the competitors of railways, and should be improved so as to give the people the benefit of their maximum carrying capacity, but the water craft should be under control of the national commission, and work with railways under agreed differentials.

The committee then adjourned to 10 o'clock a. m. June 18, 1885.

SAINT LOUIS, Mo., *Thursday, June 18, 1885.*

The committee met at 10 a. m., pursuant to adjournment.

### EDWARD H. ALLEN'S STATEMENT.

EDWARD H. ALLEN, president of the Board of Trade of Kansas City, appeared.

The CHAIRMAN. Where do you reside?

Mr. ALLEN. Kansas City, Mo.

The CHAIRMAN. What is your business?

Mr. ALLEN. I am president of the Board of Trade of Kansas City. I am not at present in business.

The CHAIRMAN. You were here and listened to the proceedings yesterday, and you have had some correspondence with the committee in relation to this work. We would be glad to have you go on and state your views in your own way on the subject under investigation.

### PROHIBIT DRAWBACKS.

Mr. ALLEN. I would simply say that I am neither a railroad man nor am I connected with railroads, nor, on the other hand, am I a shipper. I am simply an observer. What I have to say will, of course, come from that standpoint. I would call the attention of the committee to what has already been said, I believe, by others who have been before you, but which there is no harm in repeating; and that is the great desirableness of such legislation by Congress on interstate commerce as will prevent the whole system of drawbacks, by whatever name or form they may be expressed, which involves a charge for freight by any road over any extent of its line that is not a plain public charge, open to every man on like terms. The objectionableness of it is apparent on both sides of the question. It is objectionable on the ground of interfering with the community, giving special individuals opportunities for making a profit that no other individual in the community may share in; and it is an unrighteous use of the privilege which the railroad holds under its charter creation. On the other side of the question, it is a constant temptation to the parties who are officially managing that part of the road's business to become themselves dishonest in their relations to the corporations which they ought to represent. Any operation involving contracts for freight, carrying with it those possibilities of secretion and seclusion, is on both sides of the question exceedingly objectionable, and is detrimental to public morality and public welfare.

### PROHIBIT POOLING.

There is another question upon which I would like to speak to the committee. That is, the question of what are called pooling combinations between railroads that are parallel and that would otherwise be natural competitors. I am well aware that our road managers seriously deprecate what they call a free competition between these lines of railway; but they also know that their pooling combinations are generators of just as serious difficulties, it seems to me, as the competition of which they complain. You cannot get at the interior of any pooling combination but you will find almost all the parties to it complaining. It is full of trickery and deceit and overreaching by some lines in the pool as against other lines in the pool, for various reasons. For instance,

the roads are just as anxious to carry large quantities of freight, even though in a pool and sharing the profits with all the others, as they would be if in competition. They have a theory among themselves in that way sooner or later they will edge their way to a larger percentage out of the pool earnings, or that they will derive some advantage out of it which makes it exceedingly desirable for them to make that sort of competition inside the pool.

Then again comes in the other feature that I spoke of, the secret drawback rates, which are introduced into the pooling combination just as effectually as into an unlicensed competition, and sometimes with far greater detriment to the company. We have repeated instances where the transportation of freight from one locality to another covered by a pooling line will be carried by some other parties at lower rates than anybody else in that line of business can possibly secure; yet the road over which it goes reports the traffic to the pool as if it were paying a full rate of freight, when all the parties to the pool who consent to the transaction are satisfied that that is not the case.

#### COMPETITION A NECESSITY.

So that it does seem to me that whatever may be the evils of a free competition between lines that lie within the range of competition, it is that competition upon which the company must rely for its protection for its best interests. Pooling combinations on the part of railways, as they themselves admit, do not effect a cure. They increase, if anything, the tendency to this deception and trickery in the operations of one road as against another, and at the same time they tend to increase throughout the community similar combinations in all other kinds of business and occupations, which have a tendency to destroy the influence and force of the separate individuals of the community and to melt them all down to simply impersonal atoms of a large number of aggregations, which is not in the line of public interest. Those are my views on those two features of the question.

The CHAIRMAN. As I understand you, notwithstanding the pooling system, and the fact that any given road is in the pool, it still carries freight at less than pool rates, and the balance of the pool seem to know it and recognize it.

Mr. ALLEN. They must know it. For instance, you and I know that one fact must exist, from knowing another fact that is plain to observation, and yet we cannot put our finger on it and make a demonstration of it to other persons. It is inferentially true.

Here is a commission house doing business in the shipping of grain, for instance. They can buy corn throughout a certain section of the country, and pay  $1\frac{1}{2}$  or 2 cents a bushel more than anybody else. They transport it over a line that is in the pool, where there is apparently a fixed rate involved, and that line carries it to its ultimate destination under those circumstances. It does not make any difference what anybody else can afford to pay for corn, these parties can pay a higher price. Their corn all goes to one railroad, to one market, and is not scattered over the different roads. There is no doubt that there is some connection which they have with that road whereby in the question of freight they have a consideration that enables them to deal to the disadvantage of all other traders of a like character. It is facts of that kind from which we say it is evident that these things are going on.

The CHAIRMAN. Suppose there were no pool, how much better would it be?

Mr. ALLEN. If there were no pools, and at the same time no secret drawbacks, and all charges were open and public, I am constrained to believe that the situation would adjust itself into a situation with less difficulties and with less detriments than at present exists. I think the railroads have drawn off from all other methods of adjusting this question, and are trying to work it out by methods which they themselves acknowledge cannot do it. They do not know of anything better.

The CHAIRMAN. Your specific remedy is a prohibition of rebates and of pools?

Mr. ALLEN. A prohibition of all secret drawbacks and all processes whereby rates of freight are made secret and available for this party or that, and not for other parties on like terms.

#### PUBLICITY OF RATES.

The CHAIRMAN. Do you think a requirement by law of absolute publicity of rates on all interstate commerce would be a step in that direction?

Mr. ALLEN. And a negation of all drawbacks, and a prohibition of all pools. I do not object to a combination to carry freight between roads which together make a connecting line of railway. I want a partnership to exist between them. That is a perfectly legitimate thing.

The CHAIRMAN. That is a necessity, in order to make it through freight without reshipment?

Mr. ALLEN. Yes, sir; that is a public necessity. But what I mean is, where there are several roads from given points, which roads are natural competitors, I do not think they should be permitted by pools to become a partnership. Some of our State laws do not allow railroads, under that construction, to merge themselves into a single corporation. Pools are the same thing in effect, except that they are less permanent, and they are more open to fracture; but it becomes almost as effectual from the tyrannical power which the roads exercise over each other.

#### DISCRIMINATIONS.

The CHAIRMAN. Have you any instances of specific discriminations in favor of one person as against another, or in favor of one place as against another?

Mr. ALLEN. I can state just such a case as I have been reciting to you; it is a case that exists. For instance, before the organization of the southwestern pool the natural outlet of the corn product of Southern Nebraska was down through Kansas City and Saint Louis, then to be spread around through the country wherever it might go. Since the organization of that pool hardly any corn from Nebraska reaches any of those points.

The CHAIRMAN. What becomes of it?

Mr. ALLEN. It passes right across from a point west of the State of Missouri, through the northern part of the State or the southern part of Iowa, and on to Toledo and to New York City direct. This is because the roads which carry it can, in connection with the pooling arrangement, make rates for it that force it to go that way.

Senator HARRIS. Is not a great deal of the grain diverted because of the completion of the road from Kansas City to Memphis, which strikes the river below?

Mr. ALLEN. Not of the Nebraska corn. I think a large part of the corn from Southern Kansas goes in that direction instead of going more



directly east; but it is wanted there, and it is due to the natural demand. I am talking about a diversion of the Nebraska corn in this way: instead of going to supply the natural demand of the Southern market it is all drawn off to supply the Eastern market. It is an artificial result, I take it.

The CHAIRMAN. Is it?

Mr. ALLEN. That is my judgment about it.

The CHAIRMAN. If corn is needed in the East, is it not a natural result that it should go directly East?

Mr. ALLEN. So far as there is a use for it there.

The CHAIRMAN. You mean it goes East, whether it is wanted or not?

Mr. ALLEN. Yes, sir; and it is distributed from that point because there is a freight arrangement by which it can be carried from these points at less than from the other points in the distribution.

Senator HARRIS. You think it is diverted from its channel by the operations of the common carriers?

Mr. ALLEN. That is my judgment.

The CHAIRMAN. What is the basis of your judgment on that point?

Mr. ALLEN. Simply from the fact of its going so.

The CHAIRMAN. Is that any real evidence, unless you can get more for it somewhere else?

Mr. ALLEN. The price of all this corn is determined by remote points of demand. You understand all about that feature of the question. The bulk of the corn of the country is affected by what can be got for the surplus that is shipped to its remotest point of shipment. For instance, London will determine the price of wheat, not because it takes such a very large quantity, but because it takes what we do not use. That determines the price of the balance, unless the necessity of the case causes higher prices at other points. For instance, corn will bring a higher price in Georgia and South Carolina than at corresponding distances East.

The CHAIRMAN. That is for local consumption?

Mr. ALLEN. Yes, sir; it is because there is a larger demand for its consumption proportionately than at the East. The local demand at the East is not equivalent to the local demand at the South. The demand at the East is for other uses—for foreign uses.

The CHAIRMAN. You then believe in the prohibition of pools, in publicity of rates, and the prohibition of rebates and drawbacks?

Mr. ALLEN. Yes, sir.

#### A RAILROAD DEPARTMENT.

The CHAIRMAN. Would you incorporate those provisions in a national statute, and then stop? Would you have any special means of enforcing them?

Mr. ALLEN. No, sir; I think it is to the interest of the country in this matter to have a department of the Government that shall make it its special business to look after railroads, so far as interstate traffic is concerned. I do not see why it would not be just as legitimate to have such a department as to have the Department of Agriculture.

The CHAIRMAN. What would be your idea of the kind of special tribunal or department?

Mr. ALLEN. I have not thought it out in all these points as to special details. I should have a board of commissioners, or something of that kind. I think it would be proper for that commission to have authority to enforce whatever legislation was adopted by Congress in regard to

the management of roads, as well as to have access to information with reference to all matters which the public is concerned to know in regard to the traffic business, and the conditions of the railroads of the country. It should be a source of supply of information to Congress for any question as to other legislation which might arise in the future.

POOLS, IF LEGALIZED, SHOULD BE SUPERVISED.

The CHAIRMAN. Suppose Congress should be of the opinion that pooling should be allowed. Would you not think it desirable in that case to have a supervisory control by this commission over it?

Mr. ALLEN. Yes, sir; by all means. I think the railroads themselves would be glad to have supervision of that kind, to the extent of preventing one road from tricking another.

The CHAIRMAN. Have you had occasion to look into the matter of the long and short haul?

Mr. ALLEN. Not to any considerable extent; no, sir.

The CHAIRMAN. So that you are not prepared to give an opinion on that subject?

LONG AND SHORT HAUL.

Mr. ALLEN. I have no special knowledge of the details of that question. I have just the general judgment which a person would have from general observation—that where all circumstances were alike, the charge for a short haul should not be more than for a long haul. But I can readily conceive that there may be an occasional state of facts, of a short duration, where it may be to the interests of the railroads to make the long haul at less than the short haul.

The CHAIRMAN. Could you conceive a condition of affairs where that might be to the interest of the people?

Mr. ALLEN. In the kind of a case that I think of, I do not know that the interests of the people would be affected one way or the other. I do not know but that they are benefited by it. The kind of case I was thinking of would be this: Where, for instance, the traffic of a railway from one station to another over a given distance of the road was very large in volume one way, and small in volume on the return, where the empty cars would otherwise have to be carried from one terminus of the road to another in order to get the return freight that was demanded. I can conceive it to be to the interests of the road—and it does not occur to me at this moment that any public interest would be injured by it—where, for the sake of freighting back these empty cars, the road might take freight at very much less than it could carry that freight for alone, if that was the only thing they had to do. It might make a profit out of carrying it at a very much reduced rate, if thereby it could increase the traffic in the direction in which it was lightest.

I noticed in the examination here yesterday that a gentleman from Saint Louis alluded to the fact that between Saint Louis and New York one way there was a discrimination as against the other way. I am not aware of the nature of the facts, but it is not impossible that that discrimination may represent a superabundance of freight one way, as compared with the other. The road may make just as much money by carrying freight at a lower rate one way as by carrying it at a higher rate the other way. Do I make myself clear to you?

The CHAIRMAN. It might not be making as much money in the aggregate.

Mr. ALLEN. Not in the aggregate.

The CHAIRMAN. But you mean that it is saving something?

## THE CAIRO SHORT-LINE ILLUSTRATION.

Mr. ALLEN. Yes, sir. The Cairo case that was under discussion here yesterday occurred to me in connection with that. We will suppose, for instance, that cars coming here from Cairo have a much larger quantity of freight to carry than from this point to Cairo. It might pay a railroad, instead of carrying those cars back empty to Cairo in order to bring more freight from Cairo to this place, to carry freight to Cairo at a rate that would take it from river transportation to the extent of filling their empty cars. Yet, at the same time, it would be doing no injury to anybody along the line of the road who had to pay a higher rate than is charged on that particular kind of freight from here to Cairo on the longer run. You understand that I do not know what the facts are; I am only making a hypothetical case. I do not know that there are many such cases in the country.

The CHAIRMAN. Referring to the Cairo cases, which we had up yesterday: As you know, the river runs between here and Cairo, and the Cairo Short Line, and another road also, perhaps runs between those two points. Can you or not conceive a case where it would be better for the public, and better for the railroad, to take freight from here to Cairo at a cheaper rate than it should be required to take freight for to Coulterville or some other point 40 or 50 miles out from here?

Mr. ALLEN. Yes, sir; that is the case I was trying to describe. Suppose, for instance, the Short Line road from Saint Louis to Cairo has a kind of traffic that comes from Cairo to Saint Louis which is very much larger in quantity than the freight that is offered to it legitimately to go from Saint Louis to Cairo. The consequence of that would be to subject the road to the carrying of empty cars from Saint Louis to Cairo in order to fill them with the freight from Cairo which is to be sent to Saint Louis, over which the railroad has the control. To procure freight for the return trip, if it exists, the road might conclude to carry it from Saint Louis to Cairo to the extent requisite to fill its otherwise empty cars at a very trifling rate. How trifling would depend upon the competition which it would be necessary to meet to get that kind of freight.

The CHAIRMAN. Cairo and Saint Louis are two points on the river. There is this Cairo Short Line running from one point to the other. There are a great many stations along that line, which runs in a direct course, that are not along the line of the river. The road runs off from the river at some points, we will say 40 or 50 miles away. At Saint Louis and at Cairo the road is in competition with the steamboats on the river. Now the question is whether it is justifiable or not for this road to take freight at Saint Louis or Cairo for the other points at a cheaper rate, or at a less amount, than it can take the freight for from one of the towns along the road 40 or 50 miles back from the river to either of those points, the distance to which will probably be not more than half the distance between them?

Mr. ALLEN. If I understand the question, I doubt the justice and propriety of the railroad corporation, in a regular line of business, making that kind of discrimination simply to antagonize some other lines of transportation—if that is the sole object in view; that is, if the condition of its own freight has not swung around to the hypothetical condition I was speaking of, requiring the road to do this to a certain extent for its own best protection. If it is done simply for the purpose of destroying a competing line of transportation, I doubt the propriety of encouraging or sustaining a road in that kind of discrimination.

The CHAIRMAN. Would you be in favor, then, of a provision of the statute regulating interstate commerce which would prohibit any railroad, or steamboat company, either, if you please, from charging more for a less distance than for a greater distance?

Mr. ALLEN. I cannot say that I would, for the reason that there are a great many features to this question. I am not sufficiently conversant with all the practical contingencies which might arise to know to what extent the difficulty I have suggested might exist. I do not see any objection to a road filling empty cars at reduced rates of freight when those cars are legitimately and properly found empty at a certain station on the road. The traffic of the company might necessitate such a thing. That is the reason of my answer. I am not sufficiently acquainted with the details to know of the effect such a regulation might have in the other direction.

The CHAIRMAN. You live at Kansas City, close to the State line?

Mr. ALLEN. Yes, sir.

#### DISCRIMINATION AS TO KANSAS CITY.

The CHAIRMAN. Do the people of Kansas City, and in that section, complain that they are discriminated against in any way by the transportation companies as between that point and Saint Louis or Chicago?

Mr. ALLEN. There are some few cases of discrimination that arise out of two or three facts. One of them I have spoken of, in regard to competition between railroads in a pool. Some of the railroads have connections that are outside of the pools; and all sorts of artifices are gone into for the purpose of increasing the traffic, prior to their pooling combination, for the purpose of obtaining their percentage in it. For instance, there are unnatural transportations of freight, made at some disadvantage.

The CHAIRMAN. In Chicago we had some merchants before us who complained that they had lost a great many millions of bushels of grain that ought to have come to Chicago from your section, but which went in some other direction; and they complained that they were discriminated against.

Mr. ALLEN. As to this very corn matter I am speaking of, I am not certain to what extent Chicago suffers. I know Saint Louis suffers from it. I do not see why that might not be the case, if that Nebraska corn would naturally have gone to Chicago, and it goes to Toledo under this unnatural handling of it.

The CHAIRMAN. Are there not roads leading east from Kansas City that are not in the pool?

Mr. ALLEN. They are in the pool, so far as transportation from the towns on the Missouri River to the towns on the Mississippi River are concerned; but they are not in the pool for the business that comes from the points west of the Missouri to points east of the Mississippi.

The CHAIRMAN. That is an arrangement to keep up the rates of freight purely in the State of Missouri?

Mr. ALLEN. Yes, sir.

The CHAIRMAN. That is a matter your Missouri railroad commission might consider.

Mr. ALLEN. Yes, sir; that belongs to them, and not to our commission.

#### SENTIMENT OF THE PRODUCING COMMUNITY.

Senator PLATT. In going about the country, and stopping mainly in the large centers, we come in contact principally with business men,

railroad men and those engaged in mercantile affairs, and we do not get at the producing community which we would be glad to do. What do you think the feeling is among the farmers and producers in Missouri, and in the States which adjoin Missouri, as to whether railroads are fairly conducted with reference to the interests of the people? By "the people" I mean the common people, the producing public.

Mr. ALLEN. I have heard and know of no complaints in Missouri on that question, except this one of the short and the long haul. All the small towns in the State, and the producing communities that are around them, whose immediate and nearest station of shipment is not at a point of competition, are complaining more or less of the fact that the expense of transportation from their point to some large accumulating center is greater than from some remoter, larger accumulating center to the one to which they ship. That is to say, there are states of facts frequently like this, where a man, for instance, at a point that is away from Kansas City or Saint Louis, or some intermediate point, will find it easier to ship east or west to this distributing point first, and then ship back over a long extent of territory. He can do so at a cheaper rate than he can ship from the station which is his nearest point of shipment. That has been a matter of complaint among the small or producing portions of the State, the interior portions that are off from the competing stations.

Senator PLATT. We have been led to suppose that in this Western country there has existed a feeling among the producers which might almost be called at times hostility to the railroads. Do you think that is the fact now with reference to the public sentiment?

Mr. ALLEN. There may be more or less emotional feeling without reflection among the country producers in regard to that matter, but I know of no instance where it resolves itself down to a rational statement, except the one I have stated to you.

Senator PLATT. Do you think that sentiment is as strong as it formerly was against the railroads, or is it decreasing?

Mr. ALLEN. I have no means of knowing of any considerable variation in it.

#### DISPROPORTION OF LOCAL AND THROUGH RATES.

Senator PLATT. What is the rate on corn from Kansas City to New York?

Mr. ALLEN. I do not know just what it is at this time. Our secretary, Mr. Miller, can answer that question.

Mr. MILLER. I think the schedule rate on corn is now 32 cents and 37 cents on wheat. In the winter it was 37 cents on corn and 42 cents on wheat; but at the time that rate was the schedule rate they were practically carrying it at what is now the schedule rate, 32 and 37.

Senator PLATT. Is the actual rate from Kansas City to New York on corn 32 cents a bushel or a hundred pounds?

Mr. MILLER. One hundred pounds.

Senator PLATT. What would be the rate to Kansas City from the west, from some point which you may think of 100, or 150, or 200 miles distant from Kansas City?

Mr. ALLEN. That I do not know. Perhaps Mr. Miller may know that, but I will answer another question which may bring up the point you wish. If I am wrong, Mr. Miller can correct me. I think that 32-cent rate from Kansas City to New York may be divided into two rates—15 cents from Kansas City to Saint Louis and 17 cents from Saint Louis

to New York. In other words, 15 cents for carrying it a 1,000 miles or over, whatever it is to New York. That is the point you want to get at.

#### CAUSE OF DISSATISFACTION AMONG PEOPLE.

Senator PLATT. Those facts enable me to ask you a question that I wanted to ask: Do you suppose you can ever convince the farmers in the interior and around Kansas City that there is not something wrong about that?

Mr. ALLEN. It is pretty difficult to do so.

Senator PLATT. Will not the farmer inevitably jump to the conclusion that if the railroad is carrying corn from Saint Louis to New York for 17 cents, the railroad knows enough not to do a losing business; and therefore when it charges the farmer 15 cents from Kansas City to Saint Louis it charges an extortionate price?

Mr. ALLEN. Yes, sir. I think all have that feeling about it, that it is a disproportionate charge, taking those two facts in the case into consideration, and that the charge from Kansas City to Saint Louis ought to be much less than it is. Not but that I think the railroads can probably carry freight from Saint Louis to New York City on a through shipment at something less per mile than from Kansas City to Saint Louis, from the fact that they get it in larger bulk to start with, and that it has a through transit without break or disturbance all the way.

Senator PLATT. But it would take a good deal of explanation to satisfy a man who lives in the country, in a small house on a little farm, that railroads were doing business anywhere for less than remuneration?

Mr. ALLEN. Yes, sir.

Senator PLATT. Does not a good deal of this feeling of hostility towards the railroad, or of jealousy on the part of the people, grow out of the impossibility of their understanding how it is that a railroad company will do business for less than its cost over any portion of it?

Mr. ALLEN. That has possibly something to do with it. Still, I do not know that that fully explains it all. But I think there is that thought in it. It is a very difficult thing for a countryman to understand.

Senator PLATT. In other words, when railroad companies, by forced competition, consent to do business at unremunerative rates, it would seem as if the inevitable tendency must be to create a feeling against the railroads on the part of those men who are charged higher rates?

Mr. ALLEN. Yes, sir; but the question is whether a free competition would not ultimately bring the railroads around to a much better condition; combined, I mean, with publicity of rates, no drawbacks or secret contracts, available for some parties and not for others. It is a question whether that would not end in an adjustment of affairs as to the whole transportation question far better than the condition which we have to-day, both for the railroads and the public.

#### POOLING TENDS TO OVERBUILDING OF RAILROADS.

Senator PLATT. If I understand you, you think the system of pooling has to a large extent encouraged men in building railroads which were not needed?

Mr. ALLEN. I think so. I have had that very question brought to my notice already by the extension of the Milwaukee and Saint Paul road to Kansas City. The reason for it is not that we have not rail-

roads enough from Kansas City running eastward to accommodate the railroad traffic, but we have a fifteen million pool here into which that road, the moment it was built, could have 10 to 15 per cent. That is the inducement for building.

Senator PLATT. So that when railroad managers complain of the building of too many different competing roads which are not needed they themselves have furnished, to some extent, the occasion for it?

Mr. ALLEN. That is my judgment about the matter.

#### WILLIAM H. MILLER'S STATEMENT.

WILLIAM H. MILLER, secretary of the Board of Trade of Kansas City, appeared.

Senator HARRIS. What is your business?

Mr. MILLER. I am the secretary of the Board of Trade of Kansas City, and I am also a member of the transportation committee of our Board of Trade.

Senator HARRIS. You have been present here and have noticed the course of examination of other gentlemen. Will you in your own way state your views in respect to the general questions about which we have been interrogating others?

#### THE TRANSPORTATION QUESTION UNSATISFACTORY TO ALL.

Mr. MILLER. It is a very broad and many-sided question, and it is one that, in undertaking to state one's views concerning it, it is a little difficult to know just where to begin or just how to take hold of it. But I would say as a preliminary observation that the transportation situation, including all methods of transportation in this country, at this time is very unsatisfactory to the people, is a source of great irritation and annoyance to them, and equally so to the people engaged in the transportation business.

That situation arises, as I believe, not from the fact that the transportation companies are charging too much in the aggregate, or that the rates are too high, or that they are making too much money, for I think the fact is the contrary; but it is due to the fact that the rates are illy adjusted, and the whole system is in confusion. It is impossible for the railway or other transportation companies to so manage and adjust their business as to observe any kind of settled principles, and they have to adopt expedients from time to time to meet exigencies as they present themselves. It results in a great confusion of rates, which results in discriminations for and against communities, and for and against individuals.

#### THE REMEDY.

Senator HARRIS. Have you in your consideration of the question determined upon any method by which these evils can be remedied?

Mr. MILLER. Yes, sir; I have thought of some things that I believe would remedy them.

Senator HARRIS. Please state the method by which you think they can be best remedied.

Mr. MILLER. I think, in the first place, it necessarily involves an act of Congress. The transportation business of this country, the great portion of it, is interstate. There is so little of our commerce that arises and terminates in the same State in proportion to the whole

amount of our commerce, that State regulations, based upon just and equitable principles, and which would create equitable methods within the State, would be of very trifling consequence in the remedying of the whole difficulty. Being of an interstate character, an act of Congress would remedy the larger part of it and form a basis upon which State legislation could proceed to remedy the balance.

#### BASIS FOR MAKING RATES.

My own idea has been, as to making railway rates, that a great many different things should be taken into consideration. I do not believe that any satisfactory railway rate can ever be made based solely upon the cost to the company of transporting the property. I think the experience of the railway companies in attempting to make rates based upon the value of the article, or, as they say, upon what the property will bear, has demonstrated that that is a wrong principle, and that it can never lead to satisfactory results. I believe the cost of transportation, the cost of the production of the articles carried, their price in the ultimate markets in which they are consumed or distributed, the competition which they meet with in various markets, from other sections and other countries, the competition that they meet with from substitutes—those things which can be substituted for them—have all to be taken into consideration; and to reach that a much broader view of the matter is required than can be taken by a railway commission or by a railway or transportation committee devoted solely to that one subject.

#### A RAILWAY DEPARTMENT.

Still, in the present situation, a transportation commission would be, perhaps, the first step towards that end. Ultimately I believe we have got to come to the establishment of an executive department of the Government, whose chief shall be a member of the Cabinet; and in that department should be concentrated the bureaus of Agriculture and manufacture, mining, forestry, labor and transportation, and internal and external commerce, so as to bring together into one systematic department all the facts that bear upon the question. We are destitute of it; but, I believe, as a great industrial and commercial nation, that that is one of the most important departments this country could have.

#### ELEMENTS OF COST IN FIXING RATES.

Senator HARRIS. As one of the elements which is now to be considered in fixing rates you enumerate the cost of transportation?

Mr. MILLER. Yes, sir.

Senator HARRIS. Will you be kind enough to say what will be the basis in your calculation of determining the cost of transportation?

Mr. MILLER. What I mean by that is the actual cost to the company of the movement. The basis, the elements which would have to be taken into consideration in determining that, would be the interest on the plant taken at its actual value, its real worth, and the labor employed, the machinery, the operating expenses generally, including a legitimate profit on the plant; that is, such a rate of profit on the plant as is current in other lines of industry and business.

Senator HARRIS. Such a dividend as would amount to a fair and reasonable rate of interest upon the money actually expended in the plant?



Mr. MILLER. Yes, sir; that is to say, if the general business of the country is paying the people of the country as a mass an average of 6 per cent. the railroad company should base its estimates on 6 per cent. profit. Whatever that rate of interest may be, the rate of profit of the railroad company should be the rate of profit of any other line of industry.

#### REBATES AND DRAWBACKS.

Senator HARRIS. What is your opinion as to the propriety and wisdom of the policy heretofore to a greater or less extent adopted by transportation companies in allowing to individuals rebates and drawbacks?

Mr. MILLER. I think there is no excuse for it in the world. It is wholly bad.

Senator HARRIS. It is a means of discriminating between individuals.

Mr. MILLER. Allowing rebates constitutes a discrimination between individuals, to the benefit of some and to the injury of others, without any possible excuse.

#### PUBLIC CHARACTER AND DUTIES OF RAILROADS.

In the first place, these railroads are public institutions. They are not private institutions; they are public highways. They differ from any other public highway only in the respect that the parties who construct them, and who are entitled to collect tolls on them, furnish the vehicles, instead of everybody furnishing and operating their own vehicles. They derive their charters from the public, and exercise the right of eminent domain, to a certain extent, and they ought to deal with one man on precisely the same terms that they deal with another.

Senator HARRIS. In any act of Congress which shall be passed you think, then, it would be wise to prohibit absolutely all rebates and drawbacks?

Mr. MILLER. Yes, sir; all rebates and drawbacks, and all concessions of that kind ought to be prohibited. The railroad companies, however, should always be given the right to make concessions, or to make different rates for different kinds of property. Some property loads heavy, others light. There should be a difference in the rate on different kinds of property, according to the cost of carriage.

#### THE WHOLESALE PRINCIPLE IN RAILROAD BUSINESS.

There ought always to be a discrimination in favor of quantity. That is simply the observation of the wholesale principle in railroad business, as it is observed everywhere else; and this, in my opinion, is one of the most important principles to be observed in railroading.

I can illustrate my meaning. Railroads running between the West and East are of different commercial character. Connecting lines are of different commercial character. You take the railroads in Kansas, for instance, or the railroads west of the Missouri River, and the great bulk of their business is local business. They gather up the produce of the country and carry it to the commercial centers of the Missouri River; and they receive merchandise at those points and distribute it at the different stations through the country. It is local business. The great proportion of their business is business from those points to the commercial centers West. The business of these railroads at Missouri River points becomes, to the roads East, through

business. It increases their volume of business by so much. The roads in the next section east have their proportion of the local business, which is of greater magnitude than the roads in Kansas. So the local business of the roads east to Chicago and the business they derive from the Kansas roads become to the roads east of Chicago through business. A road can afford to do business at a lower rate in proportion to the magnitude of its business. A railroad in Kansas cannot afford to do it at the same rate as a railroad in Missouri; and the Missouri railroad cannot afford to do it at the same rate as the road east of it, and so on.

#### CONCESSIONS TO LARGE SHIPPERS.

Senator HARRIS. Do you think a transportation company would be justified in charging more for the transportation of one car-load for one shipper from the same point to the same point than it would charge to another who shipped 100 car-loads from the same point?

Mr. MILLER. Yes, sir, I do, and for this reason; that the shipment of 100 car-loads in car-load lots represents to the transportation company the expenditure of a considerable amount of money and time to collect it together. That is to say, take two shipments for illustration, one of 100 car-loads furnished by one individual, gathered up by himself at his own expense or coming to him in the current course of his business. Another shipment of 100 car-loads, each one of which is furnished by a different shipper. The railroad company is put to expense and trouble and loss of time and fuel, and everything of that kind, in getting the last shipment of 100 car-loads together. The expenditure in the one case has been by the man who offers 100 car-loads. It is an expenditure made by him, which in the other case the railroad company has to make. That man is entitled in justice to a reduction on his rate in proportion to that expense.

Senator HARRIS. Take this case: At a given railroad depot there are 100 car-loads already collected in the depot. They belong to one hundred different individuals. Another 100 car-loads of freight is in the depot belonging to one shipper. The destination of those 200 car-loads is the same point, and they are to go over the same line of road. Would you think the company justified in making a concession to the one shipper who shipped 100 car-loads as against the one hundred shippers each of whom shipped one-car-load?

Mr. MILLER. Yes, sir; there is a fact anterior to that, which, I think, in every case is not embraced in your hypothesis. That is, in getting that 100 car-loads together in the depot the railroad company has incurred expense and trouble. I think the occurrences in which 100 car-loads would be brought together entirely at the expense and labor of the individuals themselves would be very rare.

#### SEPARATE TERMINAL AND HAUL EXPENSES.

Senator HARRIS. Then, the only difference you think, would be a possible difference in terminal expenses?

Mr. MILLER. Yes, sir; in terminal expenses. I think the difference which should be made in that case—the just and equitable difference—as near as it can be arrived at, and of course it cannot be arrived at absolutely, is the cost that the railroad company incurs in getting the 100 car-loads together, which cost is saved to it by the individual.

Senator HARRIS. The difference, if there be a difference, in the terminal expenses, would be the only difference, then, in your opinion, that should be made between the two shipments?

Mr. MILLER. Yes, sir. Right on that point I would like to say that I believe this railroad question can be greatly simplified and the railroad situation greatly improved if the railroad companies would make a distinction between the charge they make for terminal expenses and the charge they make for moving the property along the line of their roads.

#### THE LONG AND SHORT HAUL.

Senator HARRIS. By keeping those charges separate?

Mr. MILLER. Yes, sir; at least to keep them separate in their estimates, if they did not keep them separate in the rendering of their expense bills. That bears directly on the question of the long and short haul. It must cost the railroad company substantially the same money to move a car of property over 1 mile that it does to move it over another. There is no difference in the terminal expense whether that car is moved 10 miles or 100 miles.

Senator HARRIS. But when you pro rate it over 10 miles it amounts to something, and when you pro rate it over 100 miles it is hardly perceptible.

Mr. MILLER. Yes, sir; a car-load of grain containing 20 tons, starting at Kansas City with but a cent a ton a mile for the moving charge and \$5 station charge at each station, would cost about \$11.50 to move to the first station east of Kansas City, 10 miles. To move it to Saint Louis, 280 miles, it would cost about \$45. There, you see, is a discrimination in favor of the long haul which is a just discrimination; and in my belief that is the only kind of discrimination between the short and the long haul that ought to be allowed.

Senator HARRIS. The terminal expense?

Mr. MILLER. Yes, sir; for the same kind and quantity of property.

#### AN EXECUTIVE DEPARTMENT.

Senator HARRIS. You say there should be an act of Congress creating a railroad commission as the initial point?

Mr. MILLER. Yes, sir; I think that would be a very fair sort of thing to begin with. My belief is that the real thing we need is an executive department that should bring together all the facts we require. I do not apprehend that a railroad commission can cover the whole ground; but it can remedy very many of the difficulties, and it can undoubtedly elucidate the railroad problem very largely, and point to many difficulties that ought to be eliminated.

Senator HARRIS. You think that act should prohibit all discriminations between places and persons, and all drawbacks and rebates?

Mr. MILLER. Yes, sir.

#### POOLING.

Senator HARRIS. What other provision do you think would be proper?

Mr. MILLER. I think it should absolutely prohibit anything like a pool, or rate agreement, or a division of the tonnage, or the territory.

Senator HARRIS. What do you think of requiring every railroad company to publish its rates, and not to change those published rates except upon a reasonable notice of, say, five, ten, fifteen, twenty, or thirty days?

#### PUBLICITY OF RATES AND NOTICE OF CHANGE.

Mr. MILLER. I think the rates of every railroad should be made public by posting them in the depots, so that everybody may know

just what they are. I do not see that there is any merit in publishing them in the newspapers for the benefit of the public. Everybody who ships can go to the railroads and obtain rates.

Senator HARRIS. You think posting would be sufficient?

Mr. MILLER, Yes, sir; or printing them in the rate-sheets would be sufficient. I think the tariffs should be published either by posting or through their rate-sheets, as they actually are to the public. As to the prohibition of the changing of rates without giving public notice, I think there is no merit in that. If the rates were made public it would give notice immediately to all shippers, or to rival lines, of the change that has been made. I apprehend that there would be no merit in that.

Senator PLATT. Complaints have been made that railroad companies having determined to make a reduction in the future, in some way certain individuals have obtained notice in advance of the intention of the railroad company, and have been able to take advantage of it when others could not.

#### ADJUST LOCAL AND THROUGH RATES EQUITABLY.

Mr. MILLER. Yes, sir; I think that sort of thing ought to be prohibited if there is any way of reaching it. But the requirement of previous notice would not stop it. If the railroad was required to give ten days' notice it could give to those special individuals twenty days' notice just the same. I think a law should also require some kind of an equitable adjustment of rates as between local points and commercial centers—between local rates and through rates. No rates should be allowed to be changed except by a corresponding change at every other station of the same commercial character on that line of road or on that section of the road. I look upon that as a safeguard against rate wars, and as against excessively low rates at commercial centers and excessively high rates at non competitive stations.

For instance, the Alton road crosses the Wabash at Mexico in the State of Missouri. That is the only point that is common to the three roads connecting Kansas City and Saint Louis. Saint Louis and Kansas City are two competitive points. The railroads, in the absence of the pool (and they do it more or less with the pool), make rate wars between Kansas City and Saint Louis, and the rates which they establish are actually lower than they can afford to do the business for. I have known them to carry corn for 5 cents a bushel, and passengers for 50 cents apiece between Kansas City and Saint Louis, which they cannot afford to do. At the same time that they make these competitive rates between the stations that are common to them they put on excessive rates at the interior stations, and the losses they make on the business between the two centers they make up on the people between those places.

Senator HARRIS. They recoup?

Mr. MILLER. Yes, sir; which is manifestly a great injustice.

#### COMPETITION THE BEST REGULATOR OF RATES.

Senator PLATT. Of course you recognize the necessity of making a lesser rate from Saint Louis to New York per mile than would be charged per mile for a distance west of Saint Louis, do you not?

Mr. MILLER. Yes, sir; for the reason I stated a few minutes ago.

Senator PLATT. There must be some rule which is fair and just on which that difference can be adjusted. Can you state what that rule is?

Mr. MILLER. I think if pooling is prohibited, and the local rates and through rates are compelled to bear some sort of relation to each other, the one to fluctuate as the other fluctuates, then the principle of competition is the best to regulate it.

Senator PLATT. There must be some basis on which the difference can be settled fairly; but I have never found anybody yet who can state what that rule must be.

Mr. MILLER. I think that none of us, not even the railroad companies themselves, are in possession of the facts at this time which would enable us to say just what that principle should be. I can see in a sort of dim outline that it should be based upon the magnitude of the business. The business of the railroads in the State of Kansas is pretty much all local business. In the State of Missouri, between the commercial centers of the Missouri River and the commercial centers of the Mississippi River, the railroads have a local business that is larger even than the local business of the Kansas roads; and in addition to that they have the business delivered on the Missouri River. The business becomes enlarged as it goes east. As everybody is enabled to do a larger business at a lower profit than a smaller business, the roads can afford to reduce their rates in proportion to the magnitude of their business.

#### PROPRIETY OF A DIFFERENCE BETWEEN LOCAL AND THROUGH RATES.

Senator PLATT. There could be no injustice if they only reduced their rates between great centers, as compared with the local rates?

Mr. MILLER. No, sir; I think it would not only be no injustice, but I think it is only justice to require it. I cannot see that a railroad, for instance, between Saint Louis and New York should be allowed to charge the same rate that is charged from points on the frontiers of Kansas to the Missouri River points. The rate that would make this road an enormous dividend would starve to death those roads out there. They could not live upon the same rate.

Senator PLATT. If there is any way by which you can ascertain what the fair difference is between local rates and rates between great commercial centers, and it could be fixed, I think the difficulty could be solved.

#### ELEMENTS AFFECTING SHORT AND LONG HAUL CHARGES.

Mr. MILLER. I think there are a great many points that bear on that question. Actually taking it from the standpoint of cost alone, the only difference there should be between the local rate and the through rate is in the station charge. That is to say, there is no difference, mile for mile, in the carrying expense. A railroad bringing railroad freight from Kansas City to Saint Louis can charge a less rate per mile, including its station charge and its carrying charge, than if it brings it 40 miles to Saint Louis; because the station expense is the same in either case, whether the freight be moved 10 miles or 500 miles. The carrying expense is substantially the same, mile for mile, for the carrying. Taking that standpoint alone, the difference on which the adjustments should be made between local and through rates would be the difference in the station expense. If that was all that was to be considered, we could reach absolute justice in the matter by requiring the railroads to make a distinction between their station charge and their carrying

charge, keeping them separate in their estimate of rates and charging the same percentage of profit on the whole thing. But that is not the only thing to be considered. There is the cost of the production of the article, and its value in the ultimate market, and the value of the article it comes in competition with from abroad and at home, the substitutes that can be used for it. Those come in to modify that question very materially.

Senator PLATT. Is it true that the expense of hauling per ton per mile is no greater on a short haul than on a long haul?

Mr. MILLER. The actual expense of moving a car along the track of a road is no greater, so far as I can see.

Senator PLATT. Suppose a railroad was simply 10 miles long. It would have to have its engines and its men, and it would have to fire up just the same as if its road were 100 miles long?

Mr. MILLER. Yes, sir; but if it was doing business that kept it in constant employ—

Senator PLATT (interposing). But it would not be doing such a business.

Mr. MILLER. No; but we have no such situation as that in the country.

Senator PLATT. That is an extreme case, I admit; but it occurs to me that there must be some condition which would make it less expensive per ton per mile to haul 100 miles than to haul 30 or 35 miles.

#### THE WHOLESALE PRINCIPLE.

Mr. MILLER. Such conditions are supposable, but as matter of practical fact they do not exist. Take the railroad between Kansas City and Saint Louis; and any one of them can load a car at Kansas City at about the same expense that it is loaded anywhere else; but when it comes to pulling it along the road, it takes the same power and the same men; and with the employment that the railroad practically has in the course of business, wherever it is profitable to construct a railroad, there exists that magnitude of business that makes the relations about the same. The actual expense of moving along the track is about the same, and the expense at the station is about the same. If at one station the plant costs a good deal more, they have a larger business to compensate them for it, and the wholesale principle comes in again.

Senator HARRIS. I would like to ask you if, in your opinion, it would be safe and proper to prohibit by law the transportation companies from charging in the aggregate more for a short haul than for a long haul?

#### THE CAIRO SHORT-LINE ILLUSTRATION.

Mr. MILLER. I am inclined to think that it would be safe and proper. I can see no reason why a transportation company should charge more money for 50 miles than they charge for 100, on the same quantity of freight. I am aware that the principle of competition with other lines comes in there.

The instance of the Cairo Short Line was mentioned yesterday. That road, of course, like any other road, is entitled to earn a living; but if it carried freight from Saint Louis to Cairo at a certain aggregate charge, I cannot see why it should charge a greater sum at a point 50 miles from Saint Louis toward Cairo. I can see no justification in that. Of course it meets the water competition between Saint Louis and Cairo. That may lower its rates between those two points; but if another form

of transportation exists there that forces its rates down to such a point between those two stations that it cannot afford to do the business, that rate of transportation will so far improve the business between the two termini of the road as to give it other freight.

The CHAIRMAN. Suppose water rates between Saint Louis and Cairo were so low that the railroads, to do any business, would be compelled to take freight at just what it cost to transport it. In your judgment would it be right to require that same railroad, after its trains had run along the line 25 miles east from Saint Louis on the road, actually to take that freight at just the same rate, or for just the same total sum? Would it be right to require that road—I am not giving any opinion about that—to take the freight from Coulterville, which is off from the river 25 or 30 miles, on to Cairo for the same sum that they take the freight for from here, where they are compelled to carry it, in order to get any business at all, in competition with the river, at just what it would cost them to run the cars down there?

Mr. MILLER. The same aggregate rate from Coulterville to Cairo as from Saint Louis to Cairo would pay a higher rate of profit. It would be a higher proportionate rate. The same proportionate rate certainly should not be required of the road. But I can see that the same aggregate rate or a higher aggregate rate would be manifestly unjust. If the company is carrying business from Saint Louis to Cairo at the actual cost to them, I do not know of any circumstance that would justify them in doing it.

The CHAIRMAN. But they have their road laid there?

Mr. MILLER. They make no profit on it.

The CHAIRMAN. They do not want to pick up and carry off the road. They think in time the business may finally be of such magnitude as to pay them a living profit. Can you not imagine such a case?

Mr. MILLER. Yes, sir; but they have a local business at points between Cairo and Saint Louis. If that local business is not sufficient to pay them and maintain the road, they certainly do not better their situation by charging a rate that is actually a loss at other points. Unless there are empty cars at one end or the other that they had to move back, which would justify them in making such rates, I see nothing that would offer an inducement to them to do it.

Senator PLATT. Merchants sometimes sell a certain line of goods below cost, and find it to their advantage to do so. Do you think the argument applies?

Mr. MILLER. No, sir; I do not think the case is parallel. The goods that merchants sell below cost are goods that are out of season, or that are shelf worn. There is a reason why they would sell them for cost.

The CHAIRMAN. They may want to get up a boom for their store.

Mr. MILLER. Yes, they may do that as a means of advertising.

#### WHERE FREIGHT CAN BE PROPERLY MOVED WITHOUT PROFIT.

Senator HARRIS. Can there be any advantage to the transportation company to transport freight upon which there is no profit?

Mr. MILLER. There is one instance in which I can conceive that there would be, and I will illustrate it by an incident that was told me of a former freight agent of the Chicago and Alton Railroad. He was carrying lumber for distribution at Saint Louis. He brought his cars down here loaded, and had to take them back to Chicago. There was only one kind of freight he could use in those cars, and that was live stock. The expense of taking the cars back empty would be about the

same as taking them back loaded. The rate he got for live stock would be substantially clear gain, although taking a single shipment by itself, and estimating its cost, it might not pay him anything like its cost to move them back to Chicago.

Senator HARRIS. Still, in the case you put there was profit because he had to carry the cars anyhow?

Mr. MILLER. Yes, sir; but the amount of money that he received for moving that train to Chicago was not equal to the expense he had to incur in moving; but that was an expense he had to incur anyhow.

The CHAIRMAN. You live on the border between the States of Missouri and Kansas?

Mr. MILLER. Yes, sir.

The CHAIRMAN. Do you discover at any time a difference in the rates of freights coming from Kansas, or out of Kansas City, from the rates that exist in the interior?

#### DISCRIMINATION AGAINST MISSOURI RIVER POINTS.

Mr. MILLER. The situation at Kansas City, and, in fact, at all those Missouri River points, for the last two or three years has been about like this: There is a discrimination against the Missouri River points on the basis of Kansas City, and, to some extent, of Nebraska also. The railroads running to the Missouri River all connect at Kansas City, Leavenworth, Atchison, and Saint Joseph.

The CHAIRMAN. Running to those places from where?

Mr. MILLER. From the east. The roads run from the Mississippi River. The Missouri Pacific touches all those points. The Chicago, Rock Island and Pacific touches all of them. Hannibal and Saint Joseph touches Hannibal. The Hannibal and Saint Joseph belongs now to the Chicago, Burlington and Quincy system. That road touches all those points. The Wabash touches Saint Joseph and Kansas City. The Chicago and Alton touches Kansas City alone. The Chicago, Burlington and Quincy system runs around behind those towns from the northwest. The Missouri Pacific has two branches around by the southwest. They reach far enough towards each other in the interior so that they can substantially control the trade that originates in or comes to the country back of those points west of the Missouri River.

#### MISSOURI RIVER POINTS POOLED.

The Missouri River points are pooled. A steady rate was made, and it has been substantially maintained from those points to the east—Saint Louis and Chicago. The Missouri Pacific, on the one hand, and the Chicago, Burlington and Quincy on the other, sought to deprive the pool of its business and get it entirely in their hands by making rates that were from 3 to 7 cents a hundred pounds lower between all the points they touched back of the Missouri River points and points east of the State of Missouri and in the State of Missouri to Saint Louis. As soon as those roads got into operation the pool discovered that it had a tendency to destroy its business at the Missouri River points, and it necessitated that they should be compensated by a through rate between the points west of the Missouri River and the points east. That rate was made; and the rates between those points west of the Missouri River and points east of the Missouri River are from 3 to 7 cents lower per hundred pounds, and on freight going both ways, than



the rate between the same points broken at Missouri River points. That becomes discrimination against the Missouri River points in favor of points farther east—at Saint Louis and Chicago. It becomes a discrimination against them to that extent.

That is the situation there in regard to Kansas business. At the same time the Missouri River points are compensated by another arrangement between the Kansas City, Springfield and Memphis road and the same Southwestern pool, which relieves us very largely. The points east of Saint Louis and Chicago and Louisville suffer a similar embargo on the country south of Kentucky and Virginia, and the Southern States generally; and the Kansas and Missouri River points have an advantage there. It operates to our disadvantage in the trade near by us in Kansas; still it operates to a disadvantage in Chicago and Saint Louis, in the trade South. It compensates itself; so that there is not a grievance that anybody cares to find fault with, but it is one that is embarrassing.

We have our corn merchants in Kansas City who seek the corn trade of Kansas. We find these roads carrying it to Saint Louis. We find the grocery trade that we are entitled to near by home is taken away from us and given to Saint Louis and other points. To some extent it is the same with the hardware trade. At the same time we lap over those points into Colorado and New Mexico; and we lap over them again into the Southern States, on account of which we are compensated. But we are compelled to do business farther away from home. The trade of Missouri legitimately and properly belongs to the city of Saint Louis, and that of Kansas to Kansas City.

The tendency of the produce of the country is to the east, and the tendency of the merchandise is to the west. I found last winter in looking up that matter—I understand that it is changed somewhat now—that the rates from interior points in Missouri to the points east of Saint Louis discriminated just as much against Saint Louis as Kansas City is discriminated against.

The CHAIRMAN. That was the result of railway combination, was it?

Mr. MILLER. Yes, sir; and to a considerable extent it is the application of the principle of the long haul.

#### INTER-STATE COMMERCE AT KANSAS CITY.

The CHAIRMAN. You live upon the border; and, as a matter of fact, I believe your city has grown into Kansas?

Mr. MILLER. Yes, sir; we are trying to embrace two States. We think we will own them both in the course of time.

The CHAIRMAN. You feel and realize the operation of inter-State commerce in comparison with State commerce more clearly there than do most other towns?

Mr. MILLER. Yes, sir; our commerce at Kansas City is almost wholly inter-State commerce. We have but a very slight trade in the State of Missouri.

The CHAIRMAN. You think there ought to be some regulation of inter-State commerce?

Mr. MILLER. Yes, sir; I think very decidedly we ought to have regulation.

The CHAIRMAN. You have already detailed your idea of what ought to be done by the Congress of the United States?

Mr. MILLER. Yes, sir; I have detailed that.

## A NATIONAL COMMISSION WITH BROAD POWERS.

Senator HARRIS. What power would you think it wise to confer upon this commission or department with respect to regulating commerce?

Mr. MILLER. A railway commission should be empowered to enforce any law that might be enacted by Congress for the government of railroads. The method of business and the rules laid down for the railroads to observe in that matter should be enforceable by the commission. The power of the commission should extend to a supervision of the whole matter; that is, an investigation of the whole matter, and to listen to and hear complaints of the people that may be made of discriminations and unjust arrangements. The commission, from facts that would come to it, might act of its own volition to correct wrongs and correct discriminations or inequalities. The decisions of the commission, based upon information that came to it in that way, should be binding. Of course the commission should make no decisions until it had ascertained the facts, either of its own original motion or that were brought to its notice by the people. When it had issued an order in the premises, that order should be binding upon the railroad company and equally binding upon the people until the injustice of it should be shown by a judicial decision in the courts.

Senator HARRIS. You would make the conclusions arrived at by the commission, after investigation, *prima facie* evidence of their correctness in the courts?

Mr. MILLER. Yes, sir; and make them binding upon the companies and upon the people, until they appealed to the courts for reversal.

Senator HARRIS. You would compel the companies to conform to the decisions of the commissioners until the courts had reversed those decisions?

Mr. MILLER. Yes, sir; if the railroad commissioners, in the investigation of any particular situation, thought there ought to be a different regulation from what the companies had, and should so order the railroad companies, that regulation of the commissioners should be observed until it was reversed by the courts.

Senator HARRIS. You would, then, give to the conclusions arrived at by the commission the force of a judgment until the same was reversed by a higher tribunal?

Mr. MILLER. Yes, sir.

## A RAILWAY COURT NOT APPROVED.

Senator HARRIS. You would think it proper to confer that power, if by so doing you made it a court instead of a commission, and if by making it a court under the Constitution of the United States the commissioners or judges would have a life tenure?

Mr. MILLER. No, sir; I would not make it a court or give it any of the aspects of a court.

Senator HARRIS. Still, if you made its decision binding upon the parties, until reversed, the effect would be, I apprehend, to make it a court. What would you think of the policy of making its decisions *prima facie* evidence of correctness in court, and the duty of the commission to call the attention of the district attorney to the fact, where the common carrier refused to conform to the decision of the commission, and make it the duty of the district attorney to litigate the matter?

Mr. MILLER. Do you mean that in that case you would make the Government, as represented by the commissioners, the plaintiff in the case? Senator HARRIS. Yes, sir; they should notify the district attorney to take proper action in the premises to correct the wrong.

Senator PLATT. And the district attorney should proceed at the expense of the Government.

#### FEAR OF RAILWAYS PREVENTS PROSECUTION.

The CHAIRMAN. But in the name of the injured party.

Mr. MILLER. I do not think that would reach the case as effectually as it should be reached. For instance, in the case of a discrimination against a community. Take the situation I have just mentioned at Kansas City. Suppose we wish to make a complaint there to the commissioners on account of through rates, which discriminate against our business. The difficulty will be to find the individual who would want to make the complaint. There is a feeling abroad in the country that an individual does not want to do that. If he does he is afraid that he is laying himself liable to discriminations and persecutions by the railroad companies. That is one of the worst features to-day in this country. It is that fear of the railway companies. I do not know of any instance anywhere in the world where a railroad company has persecuted anybody for taking that attitude. But I know there is that fear. Whether it be real or only imaginary, it operates as a species of tyranny, and the operations of it are just as effective as if it came from a monarchy, and it ought not to exist.

Senator HARRIS. Would you prefer to clothe the commission with the powers you suggest, if by so doing the effect of it was to make it a court, with judges with life tenure, or would you prefer to have a commission with a lesser power, as suggested, and a fixed term of office?

Mr. MILLER. I think that making it a commission would be preferable to making it a court, if that would have the necessary effect.

#### THE COMPANIES SHOULD MAKE THEIR OWN RATES.

Senator HARRIS. Do you think that a commission should have power to make rates, or revise the rates made by transportation companies?

Mr. MILLER. I do not think the commission should have power to make rates for the companies. I believe the railroad companies of the country ought to make their own rates, just as the merchants make the prices of their goods. But the commission should have the power to correct inequalities of rates, according to the principle that might be laid down in the law for that purpose. I do not think they should be permitted to go arbitrarily into the field and correct rates that, in their judgment, were wrong, and say, "This is wrong, and you must make it otherwise." If there were a principle laid down by the Government by which they could govern it, they should have that power.

Senator HARRIS. Is there any other suggestion you would like to make to the committee?

Mr. MILLER. I do not think of any other.

Senator PLATT. Under present conditions, are rebates frequent?

Mr. MILLER. Yes, sir. Well, I do not know. I cannot say particularly about rebates. I think, however, they are very frequent.

Senator PLATT. Concessions of some sort are very frequent?

Mr. MILLER. Concessions are very frequent; sometimes extending to almost everybody in the community.

Senator PLATT. Do certain individuals obtain greater concessions than others?

Mr. MILLER. Yes, sir.

Senator PLATT. What class of individuals obtains the greater favors?

Mr. MILLER. I do not know that they can be classed. I do not see how they can be, from my knowledge of it.

Senator PLATT. Is it the large shipper generally who gets the largest concessions?

Mr. MILLER. I presume that is the case; I presume it is the large shipper who generally gets the concession; and yet I know that equal concessions are made frequently to very small shippers.

#### CONCESSIONS TO CERTAIN SHIPPERS.

Senator PLATT. The railroad companies do not make the concessions upon any established principle?

Mr. MILLER. None that I know of. I do not know of any such principle. I know that sometimes concessions are made to individuals who are in no better position and have no better right to them, and are no larger shippers than others, and why they are made I do not know. One of those concessions was made on grain last winter from points on the Union Pacific Railroad in Kansas to Toledo. The parties who had the concession could pay a cent to a cent and a half more per bushel for the grain than the rates to other merchants in Kansas City or Chicago. No other merchants whatever could pay within a cent and a half a bushel of the same price these parties receiving the concession would pay. If any one got a concession from any other line so that he could pay a little more, it was immediately met by these parties.

Mr. FILLEY. Was this party dealing with roads from the South?

Mr. MILLER. I do not know. A situation of that kind has existed for years in Kansas City in regard to one particular firm in Toledo. They purchase their wheat and corn in Kansas and ship it over one particular line—the Wabash. They can always pay more for it than anybody else.

Senator PLATT. The very fact that there is no rule upon which concessions are based intensifies the complaints, does it not?

Mr. MILLER. Yes, sir; there is no rule that I know of. It must be a purely arbitrary thing. I think it is largely done by yielding to considerations of personal friendship, and possibly sometimes of interest and social relations, and all that sort of thing.

Senator PLATT. It is simply favoritism?

Mr. MILLER. Yes, sir; simply favoritism.

The CHAIRMAN. Sometimes, probably, arising from selfish motives.

Mr. MILLER. Yes, sir; I think sometimes from selfish motives. I think I have seen cases where concessions were made where railroad managers were benefited, but I do not know that to be the case.

Mr. FILLEY. At what time of the year was that?

Mr. MILLER. In January.

Mr. FILLEY. Was it when the down river movement was in force, or was the river closed?

Mr. MILLER. I think there was a down river movement.

Mr. FILLEY. The river was open.

Mr. MILLER. I think so; I am not sure about that. It occurred in January or February, and I think in February.

Mr. FILLEY. The question that arose in my mind was, whether it was done for the purpose of supplying freight to the Wabash system to go

to Toledo, which the river would naturally draw away from them, if open.

Mr. MILLER. There was a down-river movement over the Memphis road. That movement would continue, but there was another from Saint Louis. This concession was given to an individual, and he bought the corn, and they moved the freight. Nobody else could touch it at the same price.

Senator PLATT. That was really destructive to business, was it not?

Mr. MILLER. Yes, sir. It is that kind of discrimination, and the discriminations which apply to communities that I mentioned a while ago, that creates the irritation which exists on the subject in the country.

### GEORGE W. PARKER'S STATEMENT.

GEORGE W. PARKER, vice-president and general manager of the "Cairo Short Line," appeared.

The CHAIRMAN. You are general manager of the road commonly known as the "Cairo Short Line." I believe that is not the real name of the road?

Mr. PARKER. No, sir; the corporate name is, The Saint Louis, Alton and Terre Haute R. R. Co., of which I am vice-president and general manager.

The CHAIRMAN. You are aware of the scope of the investigation we are making. We would be glad to have you give us your views upon the subject in your own way.

Mr. PARKER. I have not formulated my views on the subject. I have been, as you are personally aware, very much engaged since you have been here, and have not been able to give the subject any special consideration, even during your investigation at this point. I can only submit myself to answer such interrogatories as you may put to me upon the subject.

### THE "CAIRO SHORT LINE."

The CHAIRMAN. Your road, with the exception of the depot here in Saint Louis, perhaps, is entirely within the State of Illinois, is it not?

Mr. PARKER. Our company owns two systems of roads known as the East and West system and the North and South system. The East and West system is leased to the Bee Line, known as the Indianapolis and Saint Louis line, and extends from East Saint Louis, Ill., to Terre Haute, Ind. The other line is practically a North and South line, and is operated by the company over which I have immediate charge, and is entirely an Illinois road.

The CHAIRMAN. That runs from here to Cairo?

Mr. PARKER. By combination with the Illinois Central we have a line from here to Cairo, and also some branches. That system is commonly known as the "Cairo Short Line," or the "St. Louis & Cairo Short Line."

The CHAIRMAN. As a railroad manager, having been engaged in the business for a great many years, and also as a lawyer, what is your judgment as to the kind of legislation, if any, that should be enacted by Congress for the control or regulation of inter-State commerce?

### A NATIONAL COMMISSION.

Mr. PARKER. That is a very comprehensive question, and would require a great deal of thought and consideration in order to give an intelli-

gent answer, more than I have ever been able to give the subject. I would not want to venture a statement that would be regarded as an answer to that whole question. I will say, however, that I am one of those who have always thought that a national commission, if one can be legally constituted, freed from political bias and class prejudice, with sufficient perpetuity to enable it to thoroughly master the question, would be a very important step in the direction of correcting evils incident to transportation, and would, perhaps, reduce it to a system that would result in benefit to the transportation lines, as well as to the shippers. They should certainly have and exercise the power of preventing the construction of unnecessary roads.

The CHAIRMAN. Do you think, in your judgment as a lawyer, that that commission ought to be a special tribunal in the nature of a court? Under our Constitution, as you know, if it has judicial powers, or powers of absolutely determining questions without appeal, it would have to be made a court, the members of which, under the Constitution of the United States, would have a life tenure.

Mr. PARKER. Something in the nature of the admiralty court, with jurisdiction extending over land as well as water? I think it should take that direction, or it should be simply a board of arbitration, not only between the transportation lines and the shipper, but, what is of more importance, and where it is more needed in my judgment, between the transportation lines themselves as well. I think the greatest difficulty in this transportation problem is the lack of harmony and co-operation between the transportation lines themselves.

#### POOLING.

The CHAIRMAN. There has been a good deal of talk about the pooling system of the country, and it has been said that the object of pooling, in part, was to harmonize parallel lines one with the other. What is your observation and experience in dealing with pools? Do they serve any good purpose?

Mr. PARKER. I have given that question considerable consideration. My judgment is that it is better for both the railroads and the commercial interests of the country that pools or railroad confederations should be legalized. Of course, I assume that its legalization would be attended with restrictive laws that would secure to both the transportation lines and to shippers reasonable rates and regulations through the proposed national commission.

The CHAIRMAN. Suppose a law should be passed absolutely requiring publicity of rates, and prohibiting rebates and drawbacks? Would there be any necessity for pooling?

Mr. PARKER. Yes; I should think the necessity would still exist to some extent, but the requirement would be less imperative.

The CHAIRMAN. What is the specific object of pooling, in its full scope?

Mr. PARKER. It is to secure both uniform and compensatory rates. I do not believe that in any instance I have ever known (and I have been interested in a great many pools) exorbitant or extortionate rates have resulted, and experience has shown that it is the only way to secure uniformity in rates, which, after all, is the great desideratum.

The CHAIRMAN. But the purpose of pooling, in part, has been to prevent rates from becoming too low?

Mr. PARKER. Too low, demoralizing, and unstable. If a road carries below cost to-day, it must charge exorbitant rates to-morrow.

## REBATES.

The CHAIRMAN. What is your view on the question, if any statute should be passed by Congress absolutely prohibiting a payment of rebates?

Mr. PARKER. That is a nefarious practice, and ought to be prohibited.

The CHAIRMAN. You have found that to be true in your experience?

Mr. PARKER. Yes, sir.

The CHAIRMAN. And the railroads themselves, as a matter of fact, would be glad to be put in a position where they could get rid of doing that; would they not?

Mr. PARKER. I think all conservative managements feel that way about it.

The CHAIRMAN. Several among the best railroad men have so stated.

Mr. PARKER. I cannot see how they can feel otherwise.

The CHAIRMAN. How did that custom of rebates so constantly grow up? What has caused it to become so universally a practice as it seems to be among railroad men?

Mr. PARKER. The variety of reasons that superinduce actions of that kind are so great that I can hardly detail them. Of course, at the bottom of it all is largely a spirit of competition or dishonesty, and often bad faith, both on the part of the railroad and the shipper, or the one or the other. Sometimes both are interested in it. The shipper is frequently more to blame than the railroad. Perhaps it is the result of a falsehood which the shipper may have told the freight agent, or some officer of the road, by which he secured a rebate. Sometimes it is the result of favoritism, and possibly sometimes the result of dishonesty; and somebody pockets a little of the gain besides the one who signs the voucher.

The CHAIRMAN. Some railroad officer?

Mr. PARKER. Yes, sir, possibly; though it is always the "other fellow" that is guilty of these things, you know.

The CHAIRMAN. Ordinarily is it, or is it not, the result of a scramble on the part of the railroad company to get business, and a struggle on the part of the shipper to get his product shipped as cheaply as possible?

Mr. PARKER. That is an intelligent statement of the case, and that is the prime cause. I think dishonesty is the rare exception.

The CHAIRMAN. But it really results in favoritism and discrimination in favor of one person as against another?

Mr. PARKER. Yes, sir; and is radically wrong.

The CHAIRMAN. And you think it ought to be prohibited?

Mr. PARKER. Yes, sir.

## PUBLICITY OF RATES.

The CHAIRMAN. What do you think, as a railroad man, about the policy of requiring publicity of rates?

Mr. PARKER. I think it would be healthful if the business of transportation was properly "regulated."

The CHAIRMAN. It cannot do any harm to the railroads, can it?

Mr. PARKER. No, sir; but in that connection I want to say, if you prohibit rebates and drawbacks you must give ample latitude to the matter of rates as between long and short distances, and as between territories. The strife between trade centers is largely the cause of these apparent discriminations and apparent inconsistencies in railroad rates.

## LOCAL AND THROUGH RATES.

There is a decided distinction between *local* and *through* business. They are influenced by different considerations. Different rules and practices apply to them. In dealing with them, you cannot compare one with the other and get an intelligent solution of the question of the difference between local and through rates, or the proper relation of one to the other. One is a *home* question. It is a matter between the railroad and its patrons living upon its line, the men upon whom it depends for its regular traffic and regular income—its bread and butter, so to speak. The other is largely a *territorial* question, and is a strife, not so much between railroads as between trade centers—common points. The railroads are used, not so much to make profit for themselves in that case, as they are used as sinews of war by the trade centers upon which they depend for business, and where they terminate. So that any comparison between through and local rates cannot be intelligently made, unless you bear in mind this distinction and these different incentives and necessities that create the one and the other. One is based on cost of service; the other on the necessity of the case, regardless of expense.

The CHAIRMAN. When you speak of the difference in the principles that surround the two, you refer territorially to Saint Louis, Kansas City, Chicago, and those prominent points which are trade centers, do you not?

Mr. PARKER. Yes, sir; I refer to those. They ramify indefinitely, and even they come down to small points—common points like railroad crossings. The importance of “cross-roads” has always been magnified, you know, even before railroads had an existence.

## THE LONG AND SHORT HAUL.

The CHAIRMAN. Is it your judgment that there can be nothing done with safety to the business interests of the country looking to the control of the question of charging more for the short haul than for the long haul?

Mr. PARKER. I should think it would be very disastrous to the commercial interests of the country for Congress to attempt to do it. That is my deliberate judgment.

The CHAIRMAN. A good deal has been said about the railroad that you have direct control over between here and Cairo, called the Cairo Short Line. You are doing business between those two points, and you are doing business in the interior along the line of your road. Do you find in the transaction of business that you are compelled, in order to get business at either end of the line, to charge less at any time for a given quantity and kind of freight which you get here—for instance, to carry to Cairo—than you would charge for the same kind of freight from Coulterville to Cairo?

Mr. PARKER. It frequently occurs, particularly in good boating season. We are in direct competition with the river.

The CHAIRMAN. All the time?

Mr. PARKER. All the time, substantially—I mean particularly in high water, when the river is navigable for all craft.

The CHAIRMAN. Why do you have to do that? State a little more definitely. You say you are in competition with the river.

Mr. PARKER. Our road was built primarily to accommodate the local territory through which it runs. Its construction was solicited, and indeed was superinduced, by the people along the line of the road—its local patrons.

The CHAIRMAN. Those people across the river?



## REASONS FOR LOW THROUGH RATES.

Mr. PARKER. Yes, sir; and it is dependent upon them, primarily, for its patronage and support. About 33½ per cent. of the operating expenses of this road is continuous, regardless of whether the road is earning much or little, and it therefore requires a certain volume of business to meet these fixed expenses. In most cases, and especially in some seasons of the year, the local business of the road of itself is not of sufficient volume to make up paying trains, nor is it sufficient to make the earnings, over and above current expenses, sufficient to meet the fixed charges against the road. So that in order to run paying trains we generally, after we have built the road to accommodate the local territory, endeavor to get a connection for through business to be superadded to the local business. Then when we make up a train of ten or fifteen cars of local freight to go over our line from Saint Louis, we can attach fifteen or twenty cars more of strictly through business. We can take the latter at a very low rate rather than go without it. We are justified in doing so, as one does no prejudice to the other. We would thereby have a good paying train. Yet half of it would be made up of very low-grade freight, taken at a low rate. The road would be justified in taking it, for the reason that it would cost very little more to perform the service, and it would operate no injustice to the local patrons of the road who were paying a higher rate on the local freight. This would only apply to competitive freight.

The CHAIRMAN. Suppose you could not take that through freight unless you took it at the same rate you were carrying freight for from local stations through the territory across the river. What would be the effect upon the earnings of your road, and, consequently, upon the charges you would make to your patrons?

Mr. PARKER. It would result in our having to increase our local rates. It is a question of aggregate earnings, and if we don't earn enough to float the company from one source we must from another.

The CHAIRMAN. You would actually have to increase the local rate under those circumstances?

Mr. PARKER. Yes, sir. Of course every road is, for the most part, dependent, as I have indicated before, upon the territory that is tributary to it locally; and in order to keep that road running they have to earn the necessary amount of money to do it. You cannot get the patronage otherwise. It has no other reliable earning power. So that if you limit its earning resources to a small volume of business, that small volume of business must pay a correspondingly larger rate. Therefore, whilst there is quite a difference between local and through rates, both are benefited, in that the roads, by taking through business at low rates, are thereby enabled to make up good paying trains, and are by force of circumstances and the drift of events in the management of a road, influenced to reduce their local rates, so as to make their earnings as a whole correspond somewhat to their financial necessities. Many branches of local business require and receive as low rates as through business.

The CHAIRMAN. Suppose you were to carry the freights that you gather along the line of your road for the same rate you carry through freight to Cairo, or wherever it is going, what would be the consequence?

## THROUGH FREIGHT AT LESS THAN COST?

Mr. PARKER. Bankruptcy, inevitably and speedily.

The CHAIRMAN. Do you carry freight from Saint Louis to Cairo, or from

Cairo to Saint Louis at less than it costs you to run the trains or to pay the current expenses of those trains?

Mr. PARKER. Yes, sir. Sometimes we carry through freight at less than the expense of performing the service. I will have to answer in the affirmative, though we do as little of this as possible. Circumstances force us to work for nothing occasionally.

The CHAIRMAN. Does that help you, or help anybody else any, excepting the man who owns the freight?

Mr. PARKER. Yes, sir. It frequently helps us in the distribution of our cars so as to get them to points where the demands of trade require them, without pulling them empty. Very frequently, also, it occurs where this contest between trade centers comes in. My own line is occasionally used by its patrons as an instrument of warfare to protect their territory and their business. We are dependent upon Saint Louis for a large share of our patronage, and we must join the army and fight when war is declared.

The CHAIRMAN. What do you mean by your patrons—the patrons along the line inland?

Mr. PARKER. No, sir; not so much as I mean my patrons at the terminal points. Of course that applies sometimes to the inland or local patrons, but seldom. We try to take care of our shippers, whether local or through, according to their several necessities. Cairo is not much above a local point, although there are various lines of transportation that compete for the Cairo trade. In addition to the river competition, that influences the question of rates to and from that point very decidedly, the merchants and traders at Cairo can go to various points, such as Louisville, and Cincinnati, and Indianapolis, and Saint Louis. Saint Louis has its competition for that business. It sometimes happens—and I wish it were more seldom—that a combination of circumstances arises by which, in order to protect our patrons here, we are compelled to accept a shipment from them at less, perhaps, than it would cost us to do that particular service. That shipper may be a shipper of various grades of freight, and he may be a shipper continuous in his patronage. A combination of circumstances may arise under which he will feel that he can call upon us to meet a certain line of competition from some other direction; and, as we are dependent upon him, and others like him, for our regular patronage—our meat and bread, so to speak—we sometimes feel that we are obliged to let our line be used to protect the interests of the territory, or of the shipper upon whom we depend for our regular business.

Senator PLATT. In those circumstances you are somewhat in a similar situation to the merchant who sells his shelf-worn goods cheaper than cost, are you not?

Mr. PARKER. Yes, sir; very largely so.

The CHAIRMAN. These railroads are very much like an ordinary merchant, are they not, in the way of having patrons who ship their goods over their lines, and who are dependent on that particular line for transportation, and do not ordinarily look to any other?

#### THE RAILROAD PROBLEM DIFFICULT TO SOLVE.

Mr. PARKER. That is largely true. My experience in railroading extends over nearly a quarter of a century, and I have studied it theoretically somewhat, and practically a good deal. I must confess that I know very little about it. The science has been advancing so rapidly, and taking on so many phases, and the conditions of trade are so

changed, and the necessities of commerce are so varied, that I find it an exceedingly difficult problem to solve; in my judgment the most difficult problem that a man can turn his attention to, and one that no transitory commission should be permitted to tamper with.

The CHAIRMAN. You say new phases are continually arising?

Mr. PARKER. Yes; and I therefore feel that I know comparatively very little about it. Life is too short to take it all in.

The CHAIRMAN. You have already said that you do not know much about it, and that is the expression of every man who does know the most about it. What is really the basis upon which you make up a tariff of rates? Have you any theory?

Senator PLATT. The classification?

Mr. PARKER. Do you mean the classification, or the tariff?

The CHAIRMAN. Both.

Mr. PARKER. Of that subject, I perhaps know less than any other branch of the business. I have studied the problem of railroading more from a general standpoint than from any specific standpoint. My relations have been more to the legal management and general supervision. I have never studied the question of making tariffs and classifications closely, preferring to refer that to the men I employ, who have made it a life study, and I would not like to go into a detailed discussion of that department of the business. I only direct that the tariff shall be so adjusted as to raise the required amount of revenue.

The CHAIRMAN. How many competitive points are there on the line of your road?

Mr. PARKER. We have Belleville, fourteen miles out; Pinckneyville is the second, sixty miles out; Du Quoin and El Dorado. Those are specifically competitive points. Generally I do not believe I have a strictly local point on the line. I am paralleled on one side by the Saint Louis and Cairo Narrow-Gauge road and the river, and on the other by the Louisville and Nash ville. We are at junction at Belleville with two roads. All points are more or less competitive.

Senator HARRIS. At those competitive points you are competed with by other railroad lines, are you?

Mr. PARKER. Yes, sir; at those that I have specified we are competed with by cross-roads.

#### DEPENDENCE ON LOCAL TRAFFIC.

The CHAIRMAN. To go back to the question of hauling, your theory seems to be that every railroad depends primarily upon its local business more than upon its through business?

Mr. PARKER. Yes, sir; primarily. This through business is, so to speak, thrown in or superadded.

The CHAIRMAN. And in the regulation of the tariff of rates the rates for the one ought not to be compared with the rates for the other?

Mr. PARKER. No, sir, nor influenced by it.

The CHAIRMAN. Not influenced in rate-making?

Mr. PARKER. Except in so far as the through business of the railroad will enable it to reduce its local tariff and still have revenue sufficient to pay a fair return upon the capital invested. I think the conditions are so varied between roads that an attempt to make a tariff that will apply to a given school of roads, or over a given territory bisected by roads, must work great injustice either to the shipper or to the roads. The physical conditions of the roads, their grades and curves, the amount of their patronage, and various other considerations enter into the

question of rate-making, that render it absolutely impossible to intelligently formulate a system of rates that will apply to any given number of roads within a given territory. Through rates must be uniform as a rule, but not so with local rates as between different roads and in different territory.

#### MAXIMUM AND MINIMUM RATES.

The CHAIRMAN. I think you have already said enough to indicate that you would be opposed to any Congressional action that would make a maximum and minimum rate of freight. What is your view?

Mr. PARKER. If it were possible to do so, I think a minimum rate of freight is more important than a maximum. I think that a maximum rate, as far as inter-State commerce is concerned, takes care of itself; rather, there is no maximum. If it were practicable to fix rates by law, I think it would be a judicious thing, if the power were wisely exercised; but I do not believe it to be practicable without injuring the commerce of the country, or without building up one portion to the detriment of another.

Senator PLATT. You, in common with all other railroad men, feel that competition is working ruin to the railroads, I suppose?

Mr. PARKER. I think that is unquestionably true. There are too many railroads—not enough business to go round.

Senator PLATT. Is there not some way by which this competition can be regulated by governmental action so that the rates shall not be reduced below a remunerative basis?

Mr. PARKER. Possibly. I think, without having any very definite idea of my own as to what specific action should be taken, it is one of the possibilities, especially if the welfare of the roads were all that was to be considered.

Senator PLATT. You agree that if it is practicable to do it by governmental action, it would be a good thing both for the railroads and the business communities, do you not?

Mr. PARKER. I think so; but that is the problem.

#### THE REMEDY.

Senator PLATT. Then the question is, how to get at it. Assuming that the Government has the right or the power to fix rates, either primarily or by supervision of the rates which the railroad companies fix, would or would not the fixing of those rates at competitive points, at a basis which would pay some profit to the railroad company, remedy the evil?

Mr. PARKER. Yes, sir; I think it would. If you could, after considering the necessities of the trade in various parts of the country—which is a gigantic question of itself—and then considering the question of the necessities of the transportation lines, harmonize one with the other, and then provide such regulations as would prevent unreasonably low or unreasonably high rates, and avoid discriminations that are unjust in their nature, either to individuals or communities, I think all of that would be wise and the one thing needful.

Senator PLATT. Railroad men are trying to deal themselves with all this fluctuation of business, and the claims of different points, in settling these rates, are they not?

Mr. PARKER. They are, but with no very satisfactory results, I must say.

Senator PLATT. Without indicating any opinion of my own, would it

not be better to form a commission which should have on it the best railroad and commercial minds, and leave the question to it? We can get on the commission the best of railroad men, that is, men who understand the railroad situation—if we are fortunate; and we can get the best commercial men on the commission, if we are fortunate in their selection and appointment. They would be entirely relieved from considerations of self-interest. Now, could they not deal with this question better than the railroad men alone, who must be, to a greater or less extent, influenced by self-interest?

Mr. PARKER. The difficulty that presents itself to my mind is, as I have attempted to state before, that there are so many details entering into this question that I doubt the possibility of any national commission to consider all the points involved, as they arise from day to day, with which the management of every road has to deal. The character and business of every road has its peculiar features and necessities.

#### THE TRUNK-LINE POOL.

Senator PLATT. The trunk-line pool has endeavored substantially to do that in the appointment of Mr. Fink as commissioner, has it not? That pool reaches practically the remotest boundaries of the country, so far as competitive business is concerned.

Mr. PARKER. Yes, sir; but that embraces comparatively a very small number of the roads of the country, and it applies to a very limited class of business. That is to say, whilst there is a great volume of business, yet it is the most striking instance you could present of where the conditions would apply with greater harmony and where it is possible for it to be handled by one person, or one set of persons—one mind—with a view to the interests of the shipper and the transportation lines; although it has there proven, as you are aware, under the most favorable conditions, a practical failure. Still, great good has been derived from it, doubtless.

Senator PLATT. Nevertheless, it is a question that some person must deal with—either the railroad men or the men appointed by the Government. They will have to solve that problem some way, or else it will solve itself.

#### THE SURVIVAL OF THE FITTEST.

Mr. PARKER. Yes, sir; or else, you might add, there will be a bankruptcy of the railroads of the country and general financial demoralization.

Senator PLATT. That would be a solution of it, I suppose?

Mr. PARKER. No, sir.

Senator PLATT. It would be for the present, but not for the future?

Mr. PARKER. No, sir; the theory of the "survival of the fittest" does not apply to railroads, for the reason that the unfit fellow is the most dangerous competitor you have. He is the severest, and really the most tenacious of life.

Senator PLATT. The weakest fellow is the fittest fellow?

Mr. PARKER. Yes, sir; he can do more damage, and practically does do more damage. The courts are the worst managers of railroads. They give us more trouble, and they throw everything out of line more. There is more discrimination resulting from receiverships than from any other class of roads.

The CHAIRMAN. In dealing with the people?

Mr. PARKER. In dealing with the people, and in dealing with other roads as well. That is my experience. I would rather have half a dozen solvent roads to contend with than one insolvent road managed by a court.

Senator PLATT. Suppose rates could be fixed primarily by or through the supervision of a Government commission on a remunerative basis. Would you not have done away then with the power of the bankrupt road to destroy the strong road?

Mr. PARKER. Yes, sir; looking at it from a railroad standpoint alone that would be a wise and easy thing to do. But you cannot look at the question from that standpoint alone. You have got to view as well the interests of trade, of commerce, territorial claims, and weigh these in connection with the interests of the road in making rates.

Senator PLATT. But you do not believe the interests of trade or commerce are subserved by having absolutely unremunerative rates, do you, taking the commerce and business as a whole? Would it not be better to have a fair remunerative rate on all business, and have that rate stable; and would not the result of the great volume of business of this country be better than to leave things as they are?

#### REMUNERATIVE RATES.

Mr. PARKER. If I understand you to mean by that to have absolute uniformity in rates, I should say it would be destructive to the interests of the country.

Senator PLATT. I do not say absolute uniformity, because I concede that is impracticable; but I say rates which shall be remunerative wherever business is done. Would it not be better for the country to have fairly remunerative rates paid to the railroads than to have those rates which are running them into bankruptcy?

Mr. PARKER. Unquestionably so. I can answer that question in the abstract. But I am trying to get you to understand, in my reference to the impossibility of adjusting these questions, that this is a country of great distances. Its developments in the past have been largely due to its transportation facilities. The markets for products of the country are in the centers or at the seaboards. The granary, for instance, is largely in the far West. The point of consumption is in the East or in the South, as well as the manufacturing districts. So that it becomes necessary to transport the cereals and the products of the West to places of consumption in the East and the South or to the seaboard and thence to foreign countries. There can be no very great difference in the rates from one place of production or another place of production of a similar cereal or kind of freight.

The railroads, in order to aid and to continue this development of the country and to assist in the prosperity of the people in all sections of the country, have necessarily to perform service for one section of people for less per ton per mile very largely than they do for another section of people. In doing so, there results what appears to be decided discrimination or inconsistencies in railroad transportation viewed from the railroad standpoint alone. But when you weigh all the questions that enter in the question of making these tariffs or making these special rates, you find back of it a degree of intelligence and liberality on the part of the railroad managements that are not appreciated by the man who looks at the question of his individual interests if he is a shipper.

## AN ARBITRATION COMMISSION.

So that it strikes me it would be a question that the commission could not deal with intelligently; that there are too many ramifications, too many elements and varied conditions entering into the transportation question, as a whole, for any one commission to solve it. But if they sat as a board of arbitration between the shipper and the transporter as well as between the transporters themselves, and listened to every case as it came up and considered that particular case, they could of course form an intelligent conclusion and act wisely in a given case. But to attempt to settle it by any broad, general law that would apply over the whole country and to all roads or to any entire system of roads, would prove an utter failure, and would either result in the destruction of the railroads as financial investments as well as factors in aiding the commerce of the country, or it would result in a destruction of the trade and commercial interests of the country.

The CHAIRMAN. Or it would break down and amount to nothing?

Mr. PARKER. Yes, sir; would break down entirely and amount to nothing, as every unwise law does.

Senator PLATT. You take a gloomy view of the situation as it is. You do not see how any better results are to come out of it under the present situation, do you?

Mr. PARKER. I have said that if this Commission should be established in the nature of a board of arbitration, or a court of inquiry if you please, to consider questions of difference as they arose and as they were presented to them, between parties in interest, and more especially between the railroads themselves, wise results would follow. The railroads need protection as against each other more than they need protection against the shippers.

The CHAIRMAN. And more than the shippers need protection against them?

Mr. PARKER. Or the shipper against the road. That is my judgment.

## THE MASSACHUSETTS IDEA.

Senator PLATT. I do not think I would do Massachusetts any injustice if I were to say the Massachusetts idea is this: That there should be a very simple law against unjust discriminations and undue preferences, and that that should be substantially all the law which Congress should pass. That then there should be a commission, which should have power to determine all complaints under that law; and that, having determined those, we could trust to public opinion to enforce the conclusions of the arbitration commission, which would result practically in some reform of the present situation. What do you say to that?

Mr. PARKER. To that I say this: As I understand it, we have in the common law all that you propose to create by statute, with the exception of the commission; and you come back to my proposition, that you simply need to enforce the rules and principles of the common law as they now exist. I do not say that no legislation is needed. I do not mean to be so understood by that answer. But that answers your proposition, as I understand it, so far as you put in your question.

## BILLS OF LADING.

Senator PLATT. Are the bills of lading which the railroad companies issue under the principles of the common law? Do not the

roads as a matter of fact try to exempt themselves through their bills of lading from pretty much all the liabilities relating to common carriers?

Mr. PARKER. Yes, sir; but my experience is that they have made very poor headway or success in that direction.

The CHAIRMAN. It has been said here by some of the witnesses on the stand that persons engaged in mercantile pursuits in the interior parts of Missouri—Springfield, for instance—were unable to get a bill of lading on their goods carrying them through from New York to Saint Louis and into Missouri; that they would not bill them any farther than Saint Louis. Do you know anything about that?

Mr. PARKER. I do not know anything about that personally.

The CHAIRMAN. Your road does not lead in that direction?

Mr. PARKER. No, sir; we have no complaints of that kind on our line. I think we are in harmony with our patrons, and there is a spirit of amity and satisfaction existing, so far as I know.

#### A NATIONAL COMMISSION NEEDED.

The CHAIRMAN. As I understand you, you believe a commission ought to be created by the Congress of the United States for the purpose of enforcing any law that might be passed for the purpose of regulating commerce between the States or enforcing the common law as it now is?

Mr. PARKER. Yes, sir; if a commission were established, stable in its character and free from political influences or class prejudice, I think it would be a wise thing.

#### DRAWBACKS AND REBATES—PUBLICITY OF RATES.

The CHAIRMAN. And you do not object to a specific statute prohibiting rebates and drawbacks and requiring publicity of rates, as I understand your testimony?

Mr. PARKER. No, sir; I would not object to that. I do not concur, however, in the statements of several witnesses, whose testimony I have either heard or seen in the papers, that those rates should not be changed except by given notice. I do not think that practicable. I should think it would be desirable if it were practicable.

The CHAIRMAN. Why is it not practicable?

Mr. PARKER. For the reason that it would expose a given trade center to being prejudiced.

The CHAIRMAN. In what way?

Mr. PARKER. Take Saint Louis, Cincinnati, Louisville, and Chicago, or any of the points that compete for the provisions shipped from those points to the South or southeast territory. We ship back sugar, cotton, and other commodities from that section. Of course it would not be practicable to have all the railroads make their rates and change them at the same time.

#### IMPRACTICABILITY OF NOTICE OF CHANGE OF RATES.

You might apply the rule generally to roads, but they would not act in harmony. The result would be that a railroad at Cincinnati would make a change in its rates at a certain time. There is a large demand for provisions in the Montgomery or Atlanta and New Orleans territories. The Cincinnati road may be in shape to adjust its tariff and se-



cure the business and the Saint Louis road, being a candidate for the same business and its patrons desiring to secure it, would not be able to meet that change in tariff. It would be impossible to get the two roads to act in harmony in the adjustment of their rates, and they would be shuffling back and forth in order to secure an advantage over each other. If Saint Louis should find Cincinnati taking the business of that territory, by reason of a lower rate from Cincinnati, the Saint Louis roads would be unable to protect their patrons of Saint Louis until it gave a certain notice and changed its rates accordingly. It could not reduce the rates in time to secure the business. In the mean time, possibly, the demand would be filled, and Cincinnati would have "scooped" the business, as the freight agents call it.

Take the case of shipment by rail and river. Of course, this instance could be remedied, as it should be, by supervision of the water-ways, as well as of the railways. But if that were not done you would find that perhaps the change in the markets would result in the desire to bring large shipments to Saint Louis, possibly even from New Orleans. The demands of trade are so sudden under the present system of speculation that frequently one trade center borrows or buys from another. If there were a demand of that kind for north-bound shipments in products, and the river were permitted to give a rate in order to secure it, and I had cars south and wanted to bring them north, and my business was light, and in order to fill up the trains I wanted to take low-grade freight and compete with the river for that shipment, I would be met with the law that I must first give a notice of change of rates. Before the time would expire, the river would get the business and would exhaust the trade, and the roads would be left. So, great difficulty surrounds that question as well as others, although I concede that it would be very desirable, if it were practicable to do so and not injure the commerce of the country. To make this practicable you would have to require all transportation lines, both rail and river, to change their tariffs at once, and to correspond.

#### WILLIAM H. MILLER'S STATEMENT CONTINUED.

WILLIAM H. MILLER recalled.

The CHAIRMAN. I would like to ask you a question or two about this shipment from the East to the West. You heard the question asked Mr. Parker a moment ago. The same subject was talked about also yesterday. A complaint was made that men at Springfield, for instance, could not get a shipment of goods from New York to Springfield direct, but that it would be billed to Saint Louis, and rebilled from Saint Louis to Springfield; that the rate was 50 cents from New York to Saint Louis and \$1 from Saint Louis to Springfield. Can you tell me why that is?

#### THE KANSAS CITY, MEMPHIS AND SPRINGFIELD RAILROAD.

Mr. MILLER. My understanding is that that fact at Springfield is only one of a system of things that grows out of the competition of the Kansas City, Springfield and Memphis road for Atlantic coast business with the trunk lines and the Southwestern pool lines. About a year and a half ago the Kansas City, Springfield and Memphis road was constructed to Memphis, Tenn., and opened business to that point. It immediately formed a combination with the Memphis and Charleston road, and with the East Tennessee and Virginia, and the Norfolk and

Western, by which it began to do a business between the Missouri River points and the Atlantic coast. That established another trunk line across the country, or another road that was competing very sharply with the trunk lines and with the Southwestern lines. An agreement was made between the parties in interest—the Southwestern pool and the Kansas City, Springfield and Memphis road, the Southwestern pool acting in behalf of the trunk lines—to remedy that matter and hold the trade in the lines in which it was formerly running. It has been represented to me that the terms of that agreement were that the lines operating north of the southern line of Kentucky and Virginia and these Southwestern pool lines should make no through rates into the territory south of that, and the Kansas City, Springfield and Memphis and its connections should make no through rates north of that. The result was that all the lines leading into that territory south of those lines, or having connections there, necessarily made a break at that line. They made a through rate at all points north of that line, and terminated there, and a local rate prevailed beyond. The other lines correspondingly could make no through rates to points north of that line, and anything they had given to them for shipment to points north of that line had to take a local rate to that line, and a local rate from that line on to destination. It is a circumstance that grows out of the existence of the pools and of the combinations and contracts made between parties for the division of business and the division of territory.

The CHAIRMAN. Does that exist now?

Mr. MILLER. I understand that it still exists. Mr. Parker, the gentleman who was last on the stand, who is managing this Cairo Short-Line Railroad, possibly has some knowledge of that, as it affects his line for freight in the territory south of Kentucky. I do not know about it. That is the way it is represented to me.

#### EFFECT OF A DIVISION OF TERRITORY.

I observed yesterday that there was a meeting held here in pursuance of the notice that the Missouri Pacific road had given to the Southwestern pool of its intention to withdraw from that association. The notice was given because it had learned that the Fort Scott road and its connections south and east were not living up to that agreement. It was observed that a large part of the produce of Kansas which had ordinarily taken a line of transit east over the trunk lines was going by the other road, and the charge was made against the Fort Scott road that it was giving through bills of lading through Memphis and across the country to the eastern seaboard. That was the ground of the proposed withdrawal of the Missouri Pacific, and it threatened a general rate-war along that line on the part of those roads leading into that country. A meeting was held here yesterday in this hotel, which resulted in a readjustment of the matter. The Fort Scott road gave satisfactory evidence that it had not given any through bills of lading, although it admitted the fact that the freight had gone that way. They were acquitted of that charge, and the matter was patched up, and the situation as it existed before still remains.

#### THE STRUGGLE OF TRADE CENTERS FOR BUSINESS.

The CHAIRMAN. And the people of Springfield, Mo., have to suffer the consequences?

Mr. MILLER. Yes, sir; that is only one point of many, as I understand

it. The trunk lines in the Southwestern pool are prohibited by that agreement from making a rate from Springfield, Mo., because that lies in the territory conceded to the Kansas City, Springfield and Memphis. It is an outgrowth of the division of territory—the use of the railroads, to some extent, as instruments of warfare between commercial centers. It is a very important element in this railroad problem. It has always seemed to me that it was an element that ought not to exist. I can readily understand that the city of Chicago, imbued with the ordinary selfishness that belongs to human nature might desire to scoop in the whole world, if it could do so. I know we have a good deal of that feeling in Kansas City. We like to spread out over just as much territory as we possibly can. There is as much human nature in Kansas City as there is in any other place of its size. We would like to do that, as a matter of course, and if we could make a warfare on other freight centers, we certainly should do it. I believe it is illegitimate in us to do it, or in any other place to do it. It is to the interest of the people to do business at the nearest commercial center that can supply their demands and furnish a market. The shortest route by which people can do their business is the best for them. The least amount of stock they have to carry, the best for their interest.

Looking at it from the standpoint of the Government, which regards the interests of all its citizens equally, I never could see the reason why the city of Chicago, the city of New York, or any other place, should be permitted to invade the territory of another place in that way. It is the natural struggle of the trade centers. It has always seemed to me that it is one of those things that ought to be restrained within the limits of justice.

#### DAVID R. FRANCIS'S STATEMENT.

DAVID R. FRANCIS, mayor of the city of Saint Louis, appeared.

The CHAIRMAN. You are mayor of this city, and also are engaged in commercial business, I believe?

Mr. FRANCIS. Yes, sir; you may say I am engaged in commercial business also.

The CHAIRMAN. You have had some knowledge of the work which this committee of the Senate of the United States is engaged in. Have you thought any upon the subject?

Mr. FRANCIS. I must say that I have not. I have been so engaged during the last two months that I have not had an opportunity to give it very much attention. I think it is a very important subject, and one to which Saint Louis and Saint Louis merchants should pay a great deal of attention. I was very glad to see that the Senate had taken it into consideration and had appointed a committee for this purpose.

The CHAIRMAN. As a business man in this city do you know of any mismanagement or wrong dealings on the part of transportation companies with the business men of the city?

#### DISCRIMINATIONS AGAINST SAINT LOUIS.

Mr. FRANCIS. If you were to call upon me to specify instances I should have to say that I did not. In general terms, I think that Saint Louis has been discriminated against in rates, to some extent, which we were endeavoring to correct when we appointed this transportation committee.

The CHAIRMAN. You mean the transportation committee which has been before us?

Mr. FRANCIS. Yes, sir; the transportation committee of the Merchants' Exchange.

The CHAIRMAN. Will you indicate what those discriminations have been?

Mr. FRANCIS. We have been under the impression that other commercial centers were giving rates which amounted almost to an embargo on Saint Louis commerce, in this way: That in certain sections of the country where we found a market for our goods we found that other competing cities could deliver their goods at a much less proportionate rate than that we were getting.

The CHAIRMAN. What other cities do you refer to?

Mr. FRANCIS. I refer to New York, and in some instances to Chicago. I more particularly refer to New York City. But that is something which the jobbing interests of the city are more familiar with than I am.

The CHAIRMAN. We find as we go through the country that almost every competing center is complaining of some other center, the complaint being that it is being discriminated against. With the Mississippi River running along the side of your city and leading down to the Gulf, and with the railroad facilities that are given to you by these trunk lines East and West as well as North and South, do you not think Saint Louis has a pretty fair opportunity to get its share of the commerce and trade of the country?

Mr. FRANCIS. She should have from her natural position, and I believe she is gaining more influence all the time and arriving nearer to a position where she can demand her rights in railroad rates generally.

#### NATIONAL LEGISLATION NEEDED.

The CHAIRMAN. Do you or not believe that there ought to be some legislation by Congress looking to the control of inter-State commerce?

Mr. FRANCIS. I think the Government should take hold of the matter in some way, but in what way I am not exactly as yet prepared to say. I believe our committee recommended a national railroad commission, which, I think, would be a step, at any rate, in the right direction. As to what the powers of that commission should be I am not as yet prepared to say.

The CHAIRMAN. You have not looked into the legal phase of it sufficiently to have any opinion as to the proper features of a statute?

Mr. FRANCIS. No, sir; I have not.

The CHAIRMAN. No farther than that you think a commission ought to be created by the Government?

Mr. FRANCIS. That is about the best remedy that presents itself to my mind now.

The CHAIRMAN. And you think it should have some sort of control or supervision over this question?

Mr. FRANCIS. Yes, sir.

#### REBATES AND DRAWBACKS.

The CHAIRMAN. In your observation as a business man, has the system of rebates and drawbacks been pretty generally practiced by the transportation companies here?

Mr. FRANCIS. Yes, sir; it has been practiced pretty generally, and I think it is something that ~~should be stopped~~

The CHAIRMAN. You think it ought to be unqualifiedly prohibited?

Mr. FRANCIS. Yes, sir; I think it should be stopped.

The CHAIRMAN. You think no good comes out of it to the business community or to the transportation companies?

Mr. FRANCIS. I do not think it is beneficial to commerce in any sense of the word.

The CHAIRMAN. What would you think about the propriety of requiring publicity of rates, so that every shipper could see just what the published rates were?

#### PUBLICITY AND STABILITY OF RATES.

Mr. FRANCIS. I think that would be highly proper. I believe everybody should know the rate of transportation just as readily as he knows the market price of a bushel of grain.

The CHAIRMAN. And those rates, in your judgment as a business man, should be kept as stable as possible, should they not?

Mr. FRANCIS. I think they should not be changed without due notice. Circumstances arise, however, under which there might with great propriety be a change of the rates. For instance, in case we had a large accumulation of freight at one point, I believe the railroads would be justified, in order to move that freight, in making a reduction in rates, but I believe it should be given to all parties alike.

The CHAIRMAN. Of course the rates would necessarily and naturally be changed from time to time as the business of the country seemed to demand?

Mr. FRANCIS. Yes, sir.

The CHAIRMAN. But the business community would be benefited by having as stable a rate as possible, consistent with the changed condition of times, which would affect the price of commodities as well as the price of carrying?

#### POOLING.

Mr. FRANCIS. Yes, sir; the system of pooling which the railroads have practiced has only that argument in its favor—stability of rates. The disadvantages to commerce connected with the pooling of railroads are very great, in my opinion; and about the only argument I can see in favor of the pool is that it produces, to a certain extent, a stability of rates. But I have never yet seen pools formed which could not be gotten around in some way. It is always the case that railroad men and shippers can connive in some way so as to get around the pool and the established rate.

The CHAIRMAN. And still the pool proper will continue to exist?

Mr. FRANCIS. Yes, sir; the pools exist nominally, and they may do so virtually in their settlement with each other; but the railroads out West here have found various ways to get around those pools. For instance, they pool certain points. Suppose they pool Chicago and Saint Louis and Quincy and Peoria, and such points as those. The railroads sometimes connect at intervening stations; and an eastern trunk line that happens to connect at those cross-stations with a western line and takes its freight does not put that freight into the pool at all.

The CHAIRMAN. Is that because the freight did not come to one of those pooling points?

Mr. FRANCIS. Because it did not start at one of those pooling points.

Senator HARRIS. That is treated as local freight?

## HOW POOLING ROADS CUT FREIGHT RATES.

Mr. FRANCIS. Yes, sir. I will explain it in detail: We will say that these eastern trunk lines are pooled from Chicago, and Quincy, and East St. Louis, and Peoria. At the same time the western road that brings grain from Nebraska, or Kansas, or Iowa, or Missouri crosses the river up above here and starts into Saint Louis or East Saint Louis, which is the eastern terminus of the roads. Before it arrives at East Saint Louis it crosses an eastern trunk line. There is one station of that kind up here at Wann, between Saint Louis and Alton. The grain is transferred there from the road which brings it to the road which goes to the seaboard. That road takes that grain to the seaboard, and does not put it into the pool at all, because it does not start from East Saint Louis, or from Chicago, or Peoria, or Quincy.

In that way that road is enabled to cut a rate from that station without paying any penalty for that cut. If it cut the rate from East Saint Louis proper, it would have to pay the pool rate into the pool whether it got it or not; and it would be virtually paying a penalty. But on freight that comes from these intermediate cross-points it does not pay a penalty.

That acts as a discrimination against the man who is doing business in the city of Saint Louis. We have built elevators here at great expense, and we pay a license to do business here. The railroads are out a great deal of money for their terminal facilities. But an arrangement like that is an embargo on freight coming into Saint Louis.

## OWNERSHIP OF SAINT LOUIS ELEVATORS.

Senator PLATT. Who owns the elevators?

Mr. FRANCIS. The elevators are owned by elevator companies around through the city. I think, however, that one elevator here is owned by a railroad. Two elevators are owned largely by railroads. The Missouri Pacific owns the elevator at Carondelet, which is south of Saint Louis. The Chicago, Burlington and Quincy road owns an interest in an elevator on the east side.

Senator PLATT. And others are owned by private companies?

Mr. FRANCIS. Others are owned by private companies.

The CHAIRMAN. Among the stockholders in these elevators are there generally railroad men?

Mr. FRANCIS. I do not think so generally; but I believe in other cities that is so, as a rule. I do not speak of that from positive knowledge, however. That is my impression, that in Chicago the railroads are more or less interested in the elevators.

Senator PLATT. Is there or not any complaint about elevator charges here among the business men?

Mr. FRANCIS. There has been in the past. I think now the elevators are all fighting with each other, and I do not know that there are complaints just at present.

## STOCK-YARDS OF SAINT LOUIS.

The CHAIRMAN. There was one thing I forgot to look into which possibly you do not know much about. You have stock-yards on this side of the river in Saint Louis proper, and there is also one yard on the Illinois side of the river, in East Saint Louis?

Mr. FRANCIS. Yes, sir.

The CHAIRMAN. Who owns those stock-yards?

Mr. FRANCIS. I think they are both owned by corporations. I do not think the railroads own either of them. I do not do any live-stock business myself. The yard on this side is called the Union Stock-yards, and the one on the east side is called the National Stock-yards. The one on this side is owned altogether, I believe, by Saint Louis men, and the one on the east side is owned largely by eastern capitalists.

The CHAIRMAN. You refer to the one Mr. Knox represents?

Mr. FRANCIS. Yes, sir. It may be owned, to a great extent, by Chicago men. I am not sure of that. But some of our largest packers have their slaughter-houses on the east side of the river. We consider that almost a part of Saint Louis. The product is bought here and sold here.

The CHAIRMAN. You have little knowledge as to the amount of business done by those stock-yards?

Mr. FRANCIS. No, sir; I have, I may say, very little knowledge.

#### SAINT LOUIS BRIDGE TOLLS.

The CHAIRMAN. Is there any difference in the rate of shipment of live stock from one stock-yard or the other to the East?

Mr. FRANCIS. I know there is on grain. I imagine there is on stock. If we ship a car of grain from East Saint Louis, the charge is \$5 less than if it is shipped from Saint Louis. In other words, freight starting from Saint Louis proper has to pay the bridge toll. The eastern trunk lines all consider East Saint Louis as their terminus.

The CHAIRMAN. Is the bridge toll on a car-load \$5?

Mr. FRANCIS. It is 2 cents per hundred pounds. It amounts to more than \$5 per car on the cars of the size they are now building. Two cents per hundred will amount to \$5 on a 25,000-pound car. On a car that carries 40,000 pounds, as all the cars do which are now being made, it would amount to \$8 per car.

Senator PLATT. Is not that a very large proportionate charge, considering the amount invested in the bridge and the amount invested in the railroads beyond the bridge to New York?

Mr. FRANCIS. We consider it a very large tax on Saint Louis commerce. But when you begin to estimate what it should be, as compared with the cost of the bridge, we are not exactly prepared to say.

The CHAIRMAN. Can you tell us what the cost of the bridge is?

Mr. FRANCIS. I cannot. That question has been raised by you personally, I believe, in our conversations. My recollection was that the cost of the bridge was about \$12,000,000; but Governor Stanard said he thought it was \$9,000,000. I had been under the impression that the bridge cost \$12,000,000, including all the approaches.

The CHAIRMAN. The bridge is owned by a corporation?

Mr. FRANCIS. Yes, sir.

The CHAIRMAN. And it forms a part of a transportation route?

Mr. FRANCIS. No, sir.

Senator HARRIS. It is a public highway to the railroads and the traveling public.

The CHAIRMAN. It seems to me that it is a legitimate question to look into as to whether it does not need a little regulation, as well as the railroads.

Senator HARRIS. It falls as clearly within the scope of our authority, I think, as anything else.

The CHAIRMAN. They are in the habit of charging 25 cents a passenger for passengers going over the bridge in cars?

Mr. FRANCIS. Yes, sir; I think they charge that for passengers going in the passenger trains across the bridge.

The CHAIRMAN. Unless a man buys commutation tickets?

Mr. FRANCIS. A foot passenger pays only a nickel, I believe.

The CHAIRMAN. That has been the case from the time the bridge was built, has it not?

Mr. FRANCIS. I think it has.

#### OWNERSHIP OF SAINT LOUIS BRIDGE.

The CHAIRMAN. Where do the stockholders of this bridge corporation live?

Mr. FRANCIS. The general impression prevails here that the bridge is owned by Mr. Gould.

The CHAIRMAN. By Mr. Gould alone?

Mr. FRANCIS. Yes, sir; I do not know whether or not that is a fact. The original stockholders living in Saint Louis were all——

The CHAIRMAN. Squeezed out?

Mr. FRANCIS. You can put it as you please. They do not own any stock now. I would like to say at this point that we think the best way to regulate the railroads that lead to and from Saint Louis is to improve the Mississippi River so that we can have another outlet besides the eastern seaboard.

#### IMPROVEMENT OF MISSISSIPPI RIVER.

The CHAIRMAN. The Government has been doing something in that direction.

Mr. FRANCIS. Yes, sir; it has been doing something at it; but last winter we thought that we were neglected.

The CHAIRMAN. You believe in the improvement of water-ways as a means of transportation and as a regulator of transportation freights?

Mr. FRANCIS. Yes, sir; I do. I consider that the Mississippi River belongs not to any particular State, but to the Union, and that it is to the interest of the entire nation that it should be improved.

The CHAIRMAN. Your observation and experience as a business man has shown you, has it not, that when the Mississippi River was at high-water mark, or was in good condition for transportation, the rate for transportation of freight was cheapened?

#### THE MISSISSIPPI A REGULATOR OF FREIGHT CHARGES.

Mr. FRANCIS. Yes, sir. My experience has shown that the transporting of grain to foreign markets via the Mississippi River and the Gulf of Mexico has regulated to a great extent the charge made by eastern trunk lines who take it to the seaboard on the Atlantic.

The CHAIRMAN. Do you ship very much on the Mississippi River?

Mr. FRANCIS. Yes, sir; I ship a great deal.

The CHAIRMAN. What?

Mr. FRANCIS. Grain. I shipped between four and five million bushels last year.

The CHAIRMAN. For exportation?

Mr. FRANCIS. For exportation; yes, sir.

The CHAIRMAN. What is your rate from Saint Louis to New Orleans?



Mr. FRANCIS. It varies from  $4\frac{1}{2}$  to  $8\frac{1}{2}$  cents, according to the stage of water and the condition of ice in the river. At some seasons the ice is so heavy that navigation is suspended from here to Cairo. Under those circumstances our grain is sent to Belmont, which is 30 miles below Cairo, on the Missouri side of the river.

The CHAIRMAN. Sent by rail?

Mr. FRANCIS. By rail; and it is there put on the barges and transported to New Orleans, where there are floating elevators, which transfer it from the barges into the vessels. It goes then direct to foreign ports.

The CHAIRMAN. How much additional expense or cost to you of transportation did the transportation by rail to Belmont add to the price or general cost for the whole distance?

Mr. FRANCIS. I could hardly estimate it exactly. I would say about  $2\frac{1}{2}$  cents a bushel.

The CHAIRMAN. It cost you about that much to get it to Belmont?

Mr. FRANCIS. There is that difference made in the rate. My arrangements, and the arrangements that have always been in existence here, are a through rate from Saint Louis to New Orleans, whether it goes by water or whether it goes from Saint Louis to Belmont by rail and thence by water; and the rate that is made from Saint Louis to Belmont is made by the Barge Line Transportation Company, and is merged in the through rates from Saint Louis to New Orleans.

The CHAIRMAN. Have you ever been compelled to ship your freight by rail all the way to New Orleans?

Mr. FRANCIS. No, sir; it will not bear transportation that way. It will not bear exportation.

The CHAIRMAN. Grain will not bear it?

Mr. FRANCIS. No, sir.

The CHAIRMAN. Why not? They ship grain from the lakes, for instance, do they not?

#### FOREIGN SHIPMENTS VIA NEW ORLEANS OR NEW YORK.

Mr. FRANCIS. We have to pay higher ocean freights from New Orleans than are paid from New York and Baltimore, as a rule. We are enabled to do that generally from the fact of our being able to transport grain from here to New Orleans cheaper than we can from here to New York or Baltimore.

The CHAIRMAN. So that the greater amount which you have to pay for the transportation of freight from New Orleans across to Liverpool, or wherever it goes, and the less amount you have to pay from here to New Orleans, about equalizes the charge to what they have to pay from Chicago for exportation?

Mr. FRANCIS. At certain seasons of the year it just about evens up. When the lakes are open they have the advantage, because they can get to New York cheaper than we can. There is this fact to be remembered, too: Ocean freights from New York during the spring and summer are very much cheaper than they are from New Orleans, on account of the great passenger traffic from New York and Liverpool at that season. The ocean rates from New Orleans and Liverpool in the winter are not so very much more than they are from New York to Liverpool. But in the summer time there is quite a difference, because there is no passenger traffic from New Orleans to Liverpool in the summer time. There is very little in the winter time.

The CHAIRMAN. There is not much at any time?

Mr. FRANCIS. Not much at any time. But in New York the passenger

traffic alone does not justify the lines in running. They have to charge some for freight.

The CHAIRMAN. So that on the whole the New York port for exportation is rather the best.

Mr. FRANCIS. I do not think it is for Saint Louis. Not for grain shipped from Saint Louis; no, sir. If we could depend on a good stage of water all the time from Saint Louis to New Orleans, I think that would be our best outlet at all times.

The CHAIRMAN. If you had to ship by rail to New York, for instance, for exportation, you would be about on a par with Chicago in the winter season, when there was no lake traffic, would you not?

#### MILEAGE DIFFERENCE BETWEEN SAINT LOUIS AND CHICAGO.

Mr. FRANCIS. Yes, sir; if the rates were maintained. If in the winter we had to ship to New York by rail, and Chicago had to ship by rail to New York, and the rates were not cut, as they invariably are—they are cut much oftener from Chicago than from Saint Louis—we should be upon a pretty fair basis, provided we succeeded in an effort we are now making to have the proper mileage difference established between Saint Louis and Chicago. I mean this: That at present the rate to Saint Louis from the eastern seaboard is, on the Graham scale, 119 per cent. of the Chicago rate, which is the basis, and which is 100. We contend that our distance to the seaboard entitles us to 116 per cent. instead of 119 per cent.; and I believe that we would be able to establish that fact to the satisfaction of the railroads.

The CHAIRMAN. It would put you a little nearer on an absolute equality?

Mr. FRANCIS. Yes, sir; it would put us a little nearer on an absolute equality. These eastern trunk lines take a good proportion out of their rates for terminal charges. The roads which deliver grain in Philadelphia and New York, and which own the elevators there at the destination, and also own the yards, take a big slice to begin with out of the rates before they begin to divide with the western connections.

Senator PLATT. I think Mr. Haarstick said yesterday that the river had been improved. Is that your understanding?

Mr. FRANCIS. It has undoubtedly been improved.

Senator PLATT. The work which the Government has done on it has been a real improvement, you think?

#### EFFECT OF HIGH STAGE OF WATER ON RATES.

Mr. FRANCIS. That is the way we consider it; yes, sir. That reminds me of another statement I wish to make. You were speaking of freights from New Orleans. If we always had a good river from here to New Orleans, and it could be understood among vessel-owners—as it would be in that event—that there would always be freight offering at New Orleans, more vessels would go there for freights, and freights would not be so high as they are now at times. The disadvantage we labor under is this: I will cite my own business. I am afraid to make a sale of corn, for instance, in Liverpool or Leghorn or Rouen—places where I sell corn abroad—for shipment sixty to ninety days from now, and depend on getting a vessel at New Orleans, unless I engage a vessel now. If there were shipments there all the time there would be vessels there.

There is never any danger on that score in New York. Freights advance and decline there as well as at New Orleans, but you are always

able to get vessels. If you make a sale of corn for July shipment you may not be able to get a vessel at all, and you may have great difficulty in contracting for your freight. That state of affairs results to a great extent from the fact that our river cannot be depended upon at all times, if we have not a good stage of water, which we think we could have if a sufficient amount of money were expended to improve the river.

The CHAIRMAN. You think that amount of money ought to be expended?

Mr. FRANCIS. Yes, sir; I do. I think it would be to the benefit of the entire country.

### JACOB FURTH'S STATEMENT.

JACOB FURTH, wholesale grocer and fruit-dealer, appeared.

The CHAIRMAN. Have you any complaints to make against the transportation companies with which you deal in Saint Louis?

Mr. FURTH. On personal grounds, I have not.

The CHAIRMAN. On any grounds?

Mr. FURTH. Oh, yes; we have a great many.

The CHAIRMAN. Will you let us know what they are?

### DISCRIMINATIONS AGAINST SAINT LOUIS.

Mr. FURTH. The greatest complaint we have—and when I say that I speak of all the grocers' interests of Saint Louis—is that discriminations are made against us, so that we are driven from markets where we formerly did a large business. We are driven away, so that we cannot appear there at all.

The CHAIRMAN. You mean all the merchants of Saint Louis?

Mr. FURTH. Yes, sir; all of Saint Louis.

Senator PLATT. Where has the business gone?

Mr. FURTH. It has gone to other markets.

Senator PLATT. What other markets?

Mr. FURTH. West of us. It has gone to what we call the Missouri River points—Kansas City, Leavenworth, Atchison, Saint Jo, and Omaha. Southwest of us the business has gone to build up inland towns at the expense of Saint Louis, and even of Chicago. Farther than that, there is one line of roads which runs diagonally across this State, beginning at Kansas City and running down to Memphis, which has cut off more of Saint Louis commerce, and has been more of a detriment to Saint Louis trade, than I believe any other road in the State of Missouri.

The CHAIRMAN. You say there have been discriminations against you. Have they been unjust discriminations?

Mr. FURTH. We think so.

The CHAIRMAN. What makes you think so?

Mr. FURTH. Because they make rules which work against us in one way, and they do not work for us when we ought to be benefited. In other words, if we live farther from a point, they say to us, "You must pay more for your transportation, because it is a longer distance"; and when it is a shorter distance they say, "We can make a long haul for less money than for a short haul."

I wish to say that I had no idea that I would be called here, and consequently I am not at all prepared to say what I otherwise would like to have said. Some of these matters are so familiar to me, and I have

suffered so much on their account, and we have discussed them so much at our meetings here, that on those points I could give you some information.

Senator PLATT. Will you illustrate what these discriminations are by reference to some portion of the country where Saint Louis formerly did business, which is now, by reason of the rates, transferred to other points?

#### SAINT LOUIS NOT RECOGNIZED AS A TERMINAL.

Mr. FURTH. Yes, sir; I can do that very easily. I will begin at the seaboard, so as to make my position more clearly understood. The trunk lines do not recognize Saint Louis at all. In other words, you cannot get a bill of lading to the city of Saint Louis from any seaboard of the East. They will give you a bill of lading to East Saint Louis, and no further. As Mr. Francis has told you, when the trunk lines make a rate, they take the Chicago rate as the basis. That is 100. Then they arbitrarily add 19 per cent. additional for the Saint Louis rate, whatever the Chicago rate may be. We claim that by reason of distance there should only be 16 per cent.

One of the gentlemen who appeared before your committee yesterday went to New York on that mission some few years ago as a delegate from our Wholesale Grocers' Association. He laid the matter before the trunk line there, and one of the presidents of the roads—I do not care to mention his name, because he has since died—said, that notwithstanding they knew it was a fact that the distance was but 116 per cent., they had been charging 119, and they were going to charge it whether we liked it or not. That was the position they took, and they were going to maintain it. That was the satisfaction we got in New York.

The trunk lines make a rate from East Saint Louis to Chicago. The Missouri River Association here and the Southwestern Association, as I think it is called, take charge of that freight at eastern points—at Chicago and Saint Louis—and make a rate west. This association was pooled, and is still pooled. Those two rates together make this combined through rate from New York.

#### KANSAS CITY FAVORED.

Take Kansas City for example. I have not given the exact rates now, because, as I told you, I was not prepared. I did not know that I would be called upon, or I would have brought the exact figures. When first-class freight was 92 cents to East Saint Louis, there would be added for the Saint Louis merchant 4 cents for transfer across the bridge, making it 96 cents. Suppose the Kansas City merchant bought the same class of freight in New York, the additional cost of transportation from East Saint Louis to Kansas City would be but trifling, perhaps 15 or 20 cents a hundred. Not over that. Then this 4 cents a hundred—which cuts more of a figure, as you will find, than it appears to at first sight—falls off. They do not add that. They count that bridge simply a mile of travel.

When the freight is destined to Saint Louis, we have to pay 4 cents a hundred to get it across that bridge; but in consequence of the competing bridges at Hannibal and Quincy, whenever there is any through freight which passes over the bridge for points farthest west of us that arbitrary rate falls. That gives 4 cents advantage a hundred to start with, which every man west of us has over us. Now, that 92-cent rate

has 20 cents additional added to Kansas City. That freight is laid at Kansas City for \$1.12. Say Saint Louis is on one side of the main line of the Missouri Pacific, and Kansas City is on the other side. They both compete for that trade. The man in Kansas City gets that rate of 20 cents a hundred, and he ships the freight back to some point for a mere song, because it is a short haul, and does not cost much. Then Saint Louis comes in; the roads say, "Certainly, we have to charge you a big price, because it is a short haul from Kansas City to Holden, and a long haul from here." We pay 4 cents to start with before we get our freight, and then pay 60 to 75 cents a hundred to this same town of Holden.

I have had a young man with me for 16 years. After we had talked this matter over, and had suffered so long, this young man determined to go into business for himself in Springfield, Mo. He opened business only two weeks ago. He wrote to me yesterday that the freight charges from Kansas City down to Springfield on this new road that I have mentioned from Kansas City to Memphis—I do not know the name of the road—was 55 cents a hundred. The charges from Saint Louis are \$1.10. This man in Kansas City pays 20 cents a hundred more for freight than we do. That is, when rates are high. Of course just now the discrimination would be more against us, because rates are low. Suppose he pays 20 cents a hundred more, and then pays 55 cents to Springfield, he would have 35 cents a hundred profit before we could begin to make a profit. Virtually, it cuts us off from that territory. I could name to you half a dozen prominent houses in this city who have withdrawn their men from that territory because they cannot compete there.

Senator PLATT. You mean their salesmen?

#### THE CAR-LOAD UNIT.

Mr. FURTH. Yes, sir; their travelling salesmen. I will illustrate it still better: In this room there was a meeting of the classification committee of the Southwestern Association about a year ago. They meet every three months. The Saint Louis merchants appeared before that committee and asked them to do away with the car load classification. The Missouri River merchants came down here in a body. They had also been advised of this meeting. As a matter of course, they stood up for the car-load, because it was the building up of their trade. One of the delegates from Kansas said he would pay \$20 for the photograph of any Saint Louis drummer who would be found in Kansas next year.

Senator PLATT. The unit of the car-load, mentioned in that meeting, had application to what kind of freights?

Mr. FURTH. All kinds of freight. We petitioned then, and we are still petitioning them, to do away with this car-load system.

Senator PLATT. Is there not more reason for doing away with it as to grocery freights than as to grain freights.

Mr. FURTH. Yes, sir. The grain business refers to east-bound freights; but we have reference only to west-bound freights.

Senator PLATT. Do you know any reason for this idea that the car-load is the unit of freight with reference to ordinary merchandise?

Mr. FURTH. I do not think that they base it in that way—that the car-load is the unit.

#### ONE HUNDRED POUNDS THE PROPER UNIT.

Senator PLATT. One hundred pounds is the unit?

Mr. FURTH. Yes, sir: it goes by hundred weight.

Senator PLATT. You were petitioning to have the car-load rates done away with?

Mr. FURTH. Yes, sir; we petitioned to have them abolished. In other words, to put everybody on an equality. But the greatest trouble of all is that we never know what rate our neighbor gets.

Senator PLATT. The difficulty you were seeking to do away with was the rate of so much per hundred pounds, and then the lesser rate for car-loads?

Mr. FURTH. We wanted them to establish a regular rate per hundred on all goods. I do not mean on all goods; there are exceptions, of course. In railroading you will find certain goods have to be sent by the car-load, such as furniture and perhaps grain and various other commodities. But we referred particularly to groceries. We enumerated them, and we also enumerated those that we thought should be still shipped on the car-load principle.

Senator PLATT. Do you believe, in your business, that you are getting the same rate your neighbor is getting?

Mr. FURTH. In our line of business now we are getting along satisfactorily, because all our association members get one rate. Formerly one man did not know what the other man got.

Senator PLATT. You have had to organize into an association to accomplish that end?

Mr. FURTH. For mutual protection; yes, sir.

The CHAIRMAN. You think, then, something ought to be done to prevent this discrimination and inequality which you say exists in shipments?

Mr. FURTH. By all means; yes, sir.

The CHAIRMAN. What is your idea as to what should be done?

#### LONG AND SHORT HAUL.

Mr. FURTH. I can only speak for the grocers of Saint Louis. They simply want fair play. They want no bonus or advantage over anybody. What they do want is to be at no disadvantage. For instance, take the rates as they now exist with reference to this long and short haul business. You can ship to all Missouri River points for one price all the year round, from Chicago and East Saint Louis. If there is any attention to be paid to the distance, it should cost more to send goods to Omaha than to Kansas City. But that is not the case. If we ship up the Missouri Pacific Road a hundred miles, and Kansas City ships back into the county 70 miles, the merchants of Kansas City say, "Why should we not ship 70 miles for less than you ship 100 or 200?"

Senator PLATT. How do the railroads justify their action in making that discrimination?

Mr. FURTH. They do not justify themselves to us. Of course we have no right to go there and categorically ask them such a question; but whenever we meet them they are very polite and nice, and that is the last of it. They bow us out as nicely as can be. That is about the only satisfaction we have ever had. They promise to take the matter under consideration, and there it ends.

The CHAIRMAN. Do you believe there ought to be a law passed prohibiting a greater charge for a short haul than for a long haul?

Mr. FURTH. I would not like to answer that question, because I have not given the matter sufficient thought. I can see the disadvantages we suffer under, but how to get around them I am not prepared to say.

The CHAIRMAN. Is there anything else you would like to say?

## POOLING.

Mr. FURTH. Your secretary was kind enough to give me this circular this morning. There are a few points in it that I would like to speak of. There is the matter of pools. The pooling system raises the question whether protection protects. I want to say to you that during almost the entire existence of the trunk-line pool, which was one of the strongest organizations ever perfected in this country, we could always get rates less than the pool rates.

The CHAIRMAN. On pool roads?

Mr. FURTH. Yes, sir; on pool roads.

The CHAIRMAN. There was some cheating going on then?

Mr. FURTH. There was a colored man somewhere, and we found him.

The CHAIRMAN. So that it really did not serve as a medium through which rates were maintained?

Mr. FURTH. They were not maintained at any time. Well, that is too strong a statement; but I know that during almost the entire existence of the pool we were shipping freight from the seaports—from New York particularly—at less than pool rates.

The CHAIRMAN. So that you do not believe at all in pools?

Mr. FURTH. No, sir; I believe the laws of competition should exist among roads just as among grocers.

Senator PLATT. Do you think the rates are maintained by the pools taking freight east to points where the trunk lines get them?

Mr. FURTH. I do not know anything about east-bound freight. All my testimony has had reference to west-bound freight.

You see we buy from the East and ship towards the West. Of course I do not know anything about the other; but I will say this: That even as to this Western Association—the pool which takes charge of the goods whenever they leave the main trunk-line pool—I know of my own knowledge that rates have been made for less than the pool rate in order to meet contingencies that arose when they got to cutting or to fighting among themselves. I will give you the best illustration I can think of with regard to Saint Louis as to whether or not it is being discriminated against.

When we send our salesman to large towns we have to provide him with New York and Baltimore price lists and freight schedules. We ship the goods directly to those points without having them touch Saint Louis. That is the only way in which we can sell those goods. When the goods come to Saint Louis and we have to reship them we cannot hold the trade.

The CHAIRMAN. So that you are simply acting as a commission merchant, buying goods in the East and shipping them right to the parties who buy of you?

Mr. FURTH. In that sense, yes, sir. That shows that there must be some discrimination against Saint Louis. Otherwise we could hold the business. We always did it before.

Senator PLATT. Is there anything to compensate for these discriminations against Saint Louis? Have you any new field which you would not have had except for railroad arrangements?

Mr. FURTH. Not at all. The grocery trade of Saint Louis now is confined to our back yards. They have cut us off from all sides. We cannot sell goods profitably where we used to sell them. There was a house on Second street that did a half million dollars' worth of business with New Mexico and Colorado, and it does not sell any there now.

There is one house that sold goods in Kansas until within a few years past. Very few houses have representatives there now, and those that do sell goods there do not sell them at a profit.

#### MERCANTILE COMPETITION DESTROYED.

The CHAIRMAN. Let us see whether there is any good cause of complaint. If merchants in these localities you speak of can buy goods in New York and ship them through to Kansas, or to whatever towns the goods are needed at, is there any reason why they should stop to buy of a house in Saint Louis?

Mr. FURTH. Yes, sir. In the first place I will give you the reason. As a rule retail grocers do not buy their supplies in New York. They like to buy them as near home as they possibly can. That in itself would give an advantage to the towns lying west of us. We admit that. But if everything else were equal we could go and compete for that trade. We cannot possibly compete now. We are cut off entirely from all competition. Our goods are sold very close, and the profits do not justify it. We have to step down and out and give up the field to whoever is the nearest. If we paid so much per ton per mile for freight, and everybody else paid the same, we could compete for that business. We could sell that much cheaper here than the Kansas City merchant, and the man West could have the choice of going to Kansas City, or to Saint Louis, or to New York.

Senator PLATT. Kansas City is able to reach out more than half way to Saint Louis?

Mr. FURTH. Certainly. They come back on us now.

Senator PLATT. Are there any other points in that circular upon which you want to give your views?

#### RIGHT OF SHIPPERS TO SELECT ROUTE.

Mr. FURTH. This eighth paragraph, as to whether provision should be made by law for giving to shippers the right to select the lines and parts of lines over which their shipments shall be transported. When this pooling arrangement first went into effect that troubled us a great deal. We would make a contract with one line, and would receive our goods on another line. For instance, even if the rate had been the same, some transportation lines make better time than others. There are some goods that will stand a long time in transit. Others will not. We ship from 15,000 to 20,000 boxes of lemons and oranges per annum. I would ship my goods by the Merchants' Dispatch and receive them by way of the Pennsylvania or Erie line; and while I would get my goods by the Merchants' Dispatch in five or six days, the other lines would keep my goods two weeks. I would have my bill of lading and ask why the fruit was not delivered. They would look over their books, and would not be able to find it. Why? Because Mr. Fink would divert my freight and send it all over the Erie line. I did not know where to look for the goods. That process went on until the New York people objected so strongly that they quit it.

Senator PLATT. So that they allow you now to ship by lines of your own selection?

Mr. FURTH. Yes, sir. If I had my say so I would make it so that they would never do that again.



## CONCESSIONS TO LARGE SHIPPERS.

As regards concessions to large shippers, I believe the railroad business should be done on the same principle as mercantile business. I believe in competition, and I believe also in concessions to large shippers, but not in such a manner as to discriminate against communities. If they make the rate so much a hundred for such a quantity, and a man cannot ship that quantity, he has no right to complain. Everybody who does ship that quantity should get the same rate.

Senator PLATT. How could a young man just starting in business ever get to be a man of large business and large capital if he has all those disadvantages to contend with? That is, when the wholesale dealer has the advantage in purchasing his goods because of his being a large dealer, and also has the advantage in shipping his goods, I would like to find out how a poor young man could ever work up to become a large dealer.

Mr. FURTH. You will find that all those who have worked up have worked up under those circumstances.

Senator PLATT. That is the problem.

Mr. FURTH. It is mostly due to thrift. I believe it comes back to the old maxim, that when that young man earns a dollar and spends 90 cents he will get to be a rich man; and when he spends a dollar and 5 cents he will go into bankruptcy.

## A. A. PATON'S STATEMENT.

A. A. PATON, cotton merchant, appeared.

The CHAIRMAN. You are a cotton merchant in this city?

Mr. PATON. Yes, sir, and at Memphis and New Orleans.

The CHAIRMAN. You have been listening to some of the discussions here and have become acquainted with the scope of the investigation we are making. We would like to have you state your views generally upon this subject, and particularly if you have any special views.

## COMPLAINTS AGAINST THROUGH BILLS FROM PRODUCING POINTS.

Mr. PATON. I have long been interested in railroad subjects, and have read with much interest this morning General Devereux's statement. I think he comes pretty near to stating the truth with reference to most of the points that have been raised. The difficulties we find in Saint Louis with reference to our business have been not so much in the way of discrimination against us, in a general way, as to this fact: That from interior points—the cotton trade being largely a Southern business—bills of lading have been issued by the railroads from what might be called the centers to the more distant manufacturing points, which would realize to the railroads a less sum per mile than if the roads charged the local rate from the growing points to the center and it was reshipped from that center to the manufacturer. For instance, the trade at Hope, Arkansas, at one time came altogether to Saint Louis when the Iron Mountain road was built to that point. It came here, paying the Iron Mountain Road a local rate. There was no competition from Hope to Saint Louis, and it therefore paid the local rate, the same as used to be the fact where Senator Harris lived—from Paris, Tenn., to Memphis. At Saint Louis it was then purchased by myself and others and sent to the consumer in New England and England at

a through rate, the bill of lading being issued at this point to destination. Now a man may go to Hope and get a bill of lading from there to New England or to England at a lower rate, taking the whole distance per ton per mile, than he can get for the same distance from Saint Louis.

The CHAIRMAN. Why is that?

Mr. PATON. That is one of the questions which has never been answered. The question was asked me within the last two months in London. "Why is that?" I said, "If you will answer that question for me I will solve the problem for you why railroads have depreciated within the last two years." Why a railroad should issue a bill of lading at Dallas, Tex., to go to Liverpool at a less rate per ton per mile over its road—there are only three roads in Texas—and increase its risk by issuing that bill of lading through to Liverpool and charge a less rate from Dallas to New Orleans, is something I do not understand. I have been driven out of this market to New Orleans, to a large extent, simply because of the discrimination that is being made against factors by the fact that through bills of lading are issued at a less rate per ton per mile going through here than can be got here. There are yet points tributary to New Orleans which are not reached by railroad, and there I can get the cotton I need for consumption in England. The roads in Memphis have not discriminated in that way. They make a railroad center. As I told Mr. Miller, from Kansas City, to-day, if the idea he gave out in his last sentence could be adopted, of making local centers from which trade would be distributed, it would to a large extent solve this question. But so long as you get a lower rate per ton per mile passing through than you can get from there you destroy the market here, or at Chicago, or at any other point.

As to the passenger rates: If I wanted to go to New York I could get a rate to New York of \$15. If I wanted to go to Detroit—I would have to pass through Detroit to go to New York—the rate to Detroit per passenger is \$14. The return trip to New York is issued at \$25.

Senator HARRIS. Is not the principle upon which they transport over the long haul for as little as they do over the short, in the aggregate—and sometimes for less than the short haul—an underlying secret of this trouble you speak of in respect to the transportation of this cotton, the haul being longer from Dallas to New York?

Mr. PATON. Is it, by New Orleans?

Senator HARRIS. The distance from Dallas by way of New Orleans, or from the point in Arkansas that you mentioned to New York, being greater than from Saint Louis to New York, does not the long and short haul question find its reason there?

Mr. PATON. No, I do not think it does. From Hope to Saint Louis there is only one railroad. That product can only get from Hope to market by that road. It cannot even go by water. The railroad can make its own tariff on local business. If it were at Saint Louis, it would have the competition of the river ways, and of the trunk lines, of which there are five at Saint Louis. There is competition for trade, therefore, from Saint Louis, while there is no competition from Hope.

Senator HARRIS. Has the line of road upon which Hope is situated connections to the Eastern seaboard?

Mr. PATON. From here or by Cairo.

Senator HARRIS. Is not the management of one of the trunk lines from here to the Eastern seaboard and the management of the Iron Mountain road the same?

Mr. PATON. I understand not, now. The Wabash system at one

time was all under one management—the Iron Mountain road, and the Missouri Pacific, and the Wabash. Now the Wabash is under a separate management from that of the Iron Mountain. That would have made the terminus of the Wabash at Toledo. But you know that at Paris the rate was based entirely on the local rate to Memphis, and the only competition there against us was that of the river. But we made a local rate in Memphis, and from there a through rate on cotton was made to the manufacturing points. That was so also on tobacco. We got the haul both ways. We hauled it into the market and we hauled it out on the other road. But the railroads there met the competition of the river transportation. It would go to New Orleans if it did not come back over the Louisville and Nashville Railroad or the Memphis and Charleston, to the manufacturing districts.

As to the question of the maintenance of rates, and whether they can be maintained, I have tried to find out from railroad men if there was any practical way of arriving at it.

The CHAIRMAN. You have been a railroad man yourself, have you not?

Mr. PATON. Yes, sir. There was a suggestion made that if the Government had control of the railroads, or of the rates, a man could go and buy his stamps, as in England, under the postal system. There you have to go and get your packages weighed. It is only an illustration in a small way. The charge is so much per hundred, or per pound, and you have your stamps. Suppose you have a hundred bales of cotton to ship. The rate would be fixed, and it would be known to everybody. It would be \$5 to Boston, Mass., per bale. You would have to go and pay \$500 before you could send your cotton. You would present that stamp to the railroad, and the railroad would carry your cotton for you. I asked this man whether that would remedy the evil. I said, "Some weak brother would come along and would say, 'You give me that hundred bales, and when I collect my \$500 from the Government, I will pay you back 10 per cent.'"

Senator PLATT. The rebate would come in again?

Mr. PATON. The rebate would come in. So I said, "That won't do," and he said it would not. The question is, even if you publish your rate, and say it shall not be changed for 30 days, how are you going to prevent this system of paying rebates, and in some way or other influencing the business?

The CHAIRMAN. Possibly it cannot be absolutely prevented, but you can provide means of prosecution, and punish the officers of transportation companies who violate the law.

Mr. PATON. They have this now. There is a penalty. As you are told, there has not been a time since the pools have been inaugurated when you could not ship at a lower rate than the published tariff.

Senator PLATT. Can that pool penalty be enforced?

Mr. PATON. The railroads say they can.

Senator PLATT. I understand the courts have decided the other way.

Mr. PATON. I am talking about penitentiary offenses. Would that be sufficient? The penalty would be against the agent. The superintendent or freight manager could prove that he had nothing to do with it. It might be some poor man who made the arrangement. It would be a very difficult thing to get.

Senator PLATT. The same argument holds true, to a certain extent, with reference to all laws against crimes and offenses. We do not prevent offenses by laws which provide punishment for those crimes; but

we suppose that we have, on the whole, fewer of those crimes by reason of those laws.

Mr. PATON. Of course that is true. The whole question is a very difficult one to understand and to arrive at a remedy.

#### UNIFORM RATE PER TON PER MILE.

Senator PLATT. Do you think you would establish a uniform rate per ton per mile, without reference to distance?

Mr. PATON. Certainly, from the centers of trade. Each railroad has its local business. Local tariffs are based, and always have been based, upon a different principle from that upon which through rates have been based. Take the question of transportation from Hope, as a point for illustration. The Little Rock people would say: "You must bring freight to Little Rock at the same rate per mile as to Saint Louis." That is true. All we ask is that you shall charge the same rate on to Saint Louis. Then comes in the matter of competition. Little Rock is on the river, and has a railroad which runs south. All that the Little Rock people along that road ask is, the same rate per ton per mile from that local station that it would be to Saint Louis.

#### T. H. WEST'S STATEMENT.

T. H. WEST, cotton-factor, appeared and said:

I agree with the views of the last witness, and do not think it worth your while to call upon me to testify.

Senator PLATT. Do you think the result of these discriminations is to lessen the cotton trade of Saint Louis?

Mr. WEST. Yes, sir; the question of interior points buying and shipping on a through bill of lading, as stated by Mr. Paton, is the question with us. It is the question we have been investigating, and have been trying to get before Mr. Gould to make him believe it is to his interest to stop it. But we have never yet been able to do so.

Senator PLATT. Does Mr. Gould control the railway system that comes into Saint Louis now?

#### THROUGH BILLS OF LADING FROM PRODUCING POINTS.

Mr. WEST. Yes, sir; he controls the roads that bring the cotton to this market. We have been trying to make him believe, particularly after he had his connections with the Wabash, that after he got his cotton here he would have a chance for another haul. He would be able to get the local rate to Saint Louis, and would also have a chance on the through rate, which would give him two chances at the cotton. But when he got that connection, he still issued the through bills of lading. Now they are issued, not only from points like Hope, of five or six thousand people, but from small towns; and every year they take in still smaller towns, until our trade is being narrowed down. The local cotton trade makes for the roads a good deal of money, because there is a heavy rate—say \$2.50 to \$4 a bale. I believe there has been less decline in that rate than in rates on any other merchandise since the war. In fact the decline has been a very small per cent. That is because it has a local rate, and because there is not very much competition to bring cotton into this market.

If you gentlemen could do something for us as to the stonpage of

cotton in local markets, you would be our friends. It is a pretty hard question to solve.

Senator PLATT. Does the same thing exist with regard to grain shipments?

Mr. WEST. Yes, sir; I think it has pretty much ruined the consignment of grain. Grain is now handled or is bought before it comes here. All the cotton that is shipped here is shipped on consignment. For instance, we do business in New Orleans, and Mobile, and Saint Louis. It is strictly a commission business. We are afraid the cotton trade will soon drift the same way as the grain has, because of these through bills of lading.

Senator PLATT. Do the roads issue through bills of lading for grain in the same way they do for cotton?

Mr. WEST. I am not very well posted on the grain question, but I am inclined to think they do.

Senator PLATT. Through from small interior towns?

Mr. WEST. I think so; yes, sir. I think most of the towns can get through bills of lading.

Senator HARRIS. Is not this through bill of lading, from the nearest point to the consumer, the best arrangement for the producer and the consumer both? That is, does it not go from the producer to the consumer with less charges by reason of that system than if the other system you suggest were adopted?

#### DEPENDENCE OF PRODUCERS ON MIDDLE MEN.

Mr. WEST. That would depend. I would answer that question in this way: If the merchant and the people were entirely independent and did not require the use of a commission merchant, or did not require the use of his money, it would probably be to their advantage. But whenever you cut off that cotton trade you cut off the facilities that we extend to them. For instance, a merchant must have some money. Upon that money he must guarantee cotton shipments. He cannot come here to a bank and get the money. If the man in the country were independent, I should say what you suggest would be to his advantage. But if he has to have money, I should say it would not be to his advantage. They all have to have money. Whenever you establish the cash system we will all be so independent that we will not care much about railroads or anything else.

#### ADVANTAGES OF THROUGH BILLS TO PRODUCER AND CONSUMER.

Senator HARRIS. If I had a cotton plantation in the immediate vicinity of Hope, in Arkansas, and could get a bill of lading from Hope to Liverpool direct, and at less rates than I could transport that cotton for by any other method, would it not be best for me to get that bill of lading at that place? Could I not put my cotton into the hands of my merchant at Liverpool at less rates than I could by any other method?

Mr. WEST. That would depend on the rate of freight.

Senator HARRIS. The rate of freight being less than if shipped to Saint Louis and from Saint Louis to Liverpool?

Mr. WEST. Of course you could save some local charges on the cotton.

The CHAIRMAN. Why should the cotton be brought up here to Saint Louis?

Mr. WEST. I do not know, except to make a central market.

The CHAIRMAN. Why do you want to make a central market in order to send it somewhere else?

Mr. WEST. New Orleans used to be the market for cotton.

The CHAIRMAN. That was because it was a seaboard town, was it not?

Mr. WEST. Yes, sir; railroads came in and destroyed all that kind of trade, and railroad competition has brought other markets in to compete with New Orleans. Cotton can now be transported nearly as cheaply by rail as by water, and hence these different markets have sprung up throughout the country.

The CHAIRMAN. Is it not against the interests of the masses of the people, who have to finally purchase these goods for manufacturing and for clothing purposes, to have the goods shipped about from one place to another, and finally shipped back again to a place where they are manufactured?

Mr. WEST. Oh, yes; we ought to spin it right at home.

#### ADVANTAGES IN CENTRAL MARKETS.

The CHAIRMAN. You do not spin the cotton here where you buy it?

Mr. WEST. No; we ought to spin it where it is raised, but that is not done. That is the way to build up the country. Mr. Paton prefers to buy his cotton in this to buying it in other towns. He says that he can buy the cotton on much better terms than in interior towns, with the facilities we have here for handling it. We have men who have been shipping for years, who say they can ship without losing money, and they prefer to do it to selling at home. One reason is because they have to have some assistance. Unless they ship the cotton they cannot get that assistance. As I said before, if they are independent shipping merchants they had better ship it at home.

The CHAIRMAN. Take Hope, for instance. They can get assistance there?

Mr. WEST. No, sir; the merchants cannot. They have to come here and borrow the money from commission merchants. Of course some of them do not. But a great many of them have to borrow the money and pledge the cotton.

Senator HARRIS. If I understand your idea, it is that the planter or country merchant can afford to and does incur a greater expense to get his cotton to its final market, in order that he may use it to create a credit, by which he can get money?

Mr. WEST. I should think it would cost him a little more; yes, sir.

Senator HARRIS. The only reason you have assigned for that is that by adopting this latter method he can raise money upon it before he could realize upon it in a final sale in the foreign market?

Mr. WEST. Yes, sir; and I should say that if he can do without the money, it would be better for him. The cash system is much better. But the present system was inaugurated and has been in vogue ever since I can remember, and I suppose it will always be.

Senator HARRIS. Your system, stripped of all other questions, amounts to this: The best thing for the planter, in sending his cotton to the final market, is to get a through bill of lading from as near the cotton field as he can to the foreign market?

Mr. WEST. That would depend upon the market. This planter will bring his cotton to market. He has been offered, say, ten cents a pound for it. He says he can ship that cotton to market and realize probably more than that buyer would give him. If he is independent, he is in a position to take either course. Sometimes we have a man who does

not borrow any money. He brings that cotton to market and takes the advantage of either course. He may prefer to ship the cotton, because he can come out better by shipping than by selling at home. So that you cannot say it is best in all instances. Sometimes it is best, and sometimes it is not.

#### ARE COMMISSION MEN NECESSARY?

Senator PLATT. It is the old question whether commission men are or not calculated to benefit the producer?

Mr. WEST. Yes, sir; that is the question.

Senator HARRIS. It is the question whether they are necessary or unnecessary?

Mr. WEST. Whether they are necessary evils or not.

Senator PLATT. Experience heretofore has solved the question in favor of the commission men?

Mr. WEST. Yes, sir.

Senator PLATT. There are a great many things which go into the consideration of the question whether there should be commission men or not?

Mr. WEST. Yes, sir.

Senator PLATT. You think there have to be middle men of some class?

Mr. WEST. Yes, sir.

Senator PLATT. You think it is impossible for a man who produces to reach the man who consumes?

Mr. WEST. Of course.

#### MANUFACTURING AT PLACE OF PRODUCTION.

A question that has been written about and harped upon ever since the war is that we ought to manufacture our cotton at home. That is very true. But we do not do it, and until we do, we will have to have commission men. Even then you would have to have commission men to handle the product after it was spun. With reference to the question of commission merchants, as you say, it is pretty well established that you cannot do without them.

Senator HARRIS. If you have to have middle men, or commission men, between the producer and the final consumer of cotton, it is a fact that every middle man through whose hands the cotton passes makes some money out of it?

Mr. WEST. He charges his commission.

Senator HARRIS. The more middle men the more commissions and charges against the consumer?

Mr. WEST. I should say there must be some more charges.

Senator HARRIS. And necessarily the smaller the number of middle men the smaller the charges?

Mr. WEST. Oh, yes.

Senator HARRIS. Then, if you can get a through bill of lading from the cotton-field to the point of final destination of your bale of cotton, you would need but one middle man, would you?

Mr. WEST. No, sir. But that is impracticable. That is a saving you cannot make. There is a certain point of economy beyond which you cannot go. You cannot wipe out the commission man.

Senator PLATT. If you do not have commission men who do a large business at traffic centers, you will practically have a commission man in every little town where the article is raised, will you not?

Mr. WEST. Yes; and then you throw aside the protection which you must have in the middle man.

Senator HARRIS. If he can get a through bill of lading from Hope, Arkansas, the planter himself may ship?

Mr. WEST. If he should ship himself he would not do it but once. He would come back and be mighty glad to find his commission man.

Senator HARRIS. Assuming that he needs a middle man at Hope, he needs another at Liverpool?

Mr. WEST. I think he needs another at Saint Louis.

Senator HARRIS. You assume that he needs another at the starting point?

Mr. WEST. No, sir; I do not think he does.

Senator HARRIS. I thought you said if he undertook to ship his cotton himself he would be glad to come back to his commission man?

Mr. WEST. I say if he does; but he does not need him. He could take me at Saint Louis instead of a man there. He could ship to me, but he could not ship to Liverpool.

Senator HARRIS. Why not?

Mr. WEST. I do not know; but Mr. Paton is a Liverpool man and he can tell you. If you ever saw the list of charges that come from there you could answer that question very well. I should only take the place of the middle man at Hope, and I claim that I can do as much for the planter as the Hope man could. I do not know that that has anything to do with the freight question, however. It is only the protection to our market that we are fighting for. We discussed this thing pretty thoroughly with Mr. Gould, but he did not help us out. I do not know whether you can help us out.

#### PROTECTION TO TRADE CENTERS.

Senator HARRIS. You think it would be a good thing for all cotton to be consigned to the commission merchant in Saint Louis?

Mr. WEST. I think there is a certain local protection that we ought to have. I believe when we have that it builds up the surrounding country, and is an advantage to the whole community at large; but you cannot build up a whole lot of local centers within a little circumference. Hope cannot be a cotton market, and Little Rock and such places should select some central point and make it a cotton market. It would redound to the benefit of the whole section.

Senator HARRIS. Do you think the Government ought to exercise its power to build up one market as against another? Is it not the true policy of the Government to say "Hands off," and let each take care of itself?

#### MARKING DOWN RAILROAD VALUATION.

Mr. WEST. I think that would be better.

As to this question of the railroads making money, we in our business are satisfied with the profits they make, because we pay them well for what cotton they bring here; but I think the trouble with railroads is that they do not take an inventory often enough and get down to the valuation. A man with a stock of goods goes through it, and marks the goods down when they are too high. His stock may represent at cost a capital of \$20,000; but depreciation comes in and he marks them down at what he can buy them at to-day, and he puts them down to \$10,000, say. He can sell those goods at a profit at \$10,000, but he



cannot sell them at a profit on a basis of \$20,000. I think if our railroads were down to hard-pan like the rest of us it would be better.

Senator HARRIS. With the water squeezed out?

Mr. WEST. Yes. If we could make a rate down to actual price we could all make money. That is what I think about it. I think anything that could regulate that would be of great advantage to the community, and eventually to the railroads themselves.

### GEORGE MURCH'S STATEMENT.

GEORGE MURCH, member of the transportation committee of the Merchants' Exchange, appeared.

The CHAIRMAN. I believe you are one of the members of the committee which made the report which was read before us here?

Mr. MURCH. Yes, sir.

The CHAIRMAN. We should be pleased to hear any additional suggestions you have to make on the subject under investigation outside of that report.

### RAILROAD TERRITORY ASSIGNED TO MERCHANT FRIENDS.

Mr. MURCH. I do not know that I have anything additional to suggest. I coincide fully with the report of the committee in regard to the matters stated in it. I have my own views regarding the feasibility of some of the matters connected therewith, such as the subject of discriminations, or the feeling against the railroads by the people, which is agitating the country just now.

I believe the railroads are considerably to blame for bringing about that feeling among the people, for the simple reason that they single out friends, or single out firms or individuals who are interested in railroad business, and give to them a certain scope of country, the products of which they can control.

The CHAIRMAN. How do you mean?

Mr. MURCH. I mean that railroads of late have given certain mercantile firms in the different larger cities certain portions of their lines, so as to simply prohibit any competition going in there and competing in the way of buying the products of the country.

### REBATES TO SPECIAL FRIENDS.

The CHAIRMAN. How do they prohibit other people from going there?

Mr. MURCH. By this gentleman—the particular friend of the railroad, or of the directors, or of some interested party—getting an inside rebate or a reduction from the regular established rate.

The CHAIRMAN. You mean that he is favored by the transportation companies?

Mr. MURCH. Favored by the railroad companies.

The CHAIRMAN. He is favored with reference to the shipments of freight and the price charged for transportation?

Mr. MURCH. To the shipments of grain particularly I now refer; that is my line.

The CHAIRMAN. You know that that is done?

Mr. MURCH. I know that it is done, and that it has been done to the detriment of the country here. It simply puts the business into the

hands of the few, and thereby creates a monopoly, which destroys the business of others in the same line of business. That is about the sum total of it.

#### RESULTING IN MONOPOLY.

The CHAIRMAN. It tends to deprive a good many other men of their business who are trying to do a like business?

Mr. MURCH. Yes, sir. The simple point is this: A man, or one or two firms, having a large scope of Nebraska or Missouri on our western roads, as has been the case here of late, can go on that road and simply dictate the prices, because they have an inside rate which no other competitor can get from the road. The road makes its arrangements with this individual or these firms, and it cuts off all outsiders from getting into that field in order to compete.

The CHAIRMAN. What is the result of that line of conduct to the producer of the grain?

Mr. MURCH. The result in the long run to the producer of the grain is certainly not a profitable one.

The CHAIRMAN. The producers are compelled to take a less price?

Mr. MURCH. There are fewer men going into the section of the country to buy produce. It is out of the question for any competitor to come in there when another party in the same line has an inside rate. It simply bars out any other competitor. The moment you go there, the gentleman who has the inside rate will raise his price immediately to the neighboring merchants along the line, and run you out. You simply cannot compete, as he is a friend, or a director, or an insider in the railroad. That prohibits any competition on that line of road. That has been the fact and the way business has been done here of late in this western country.

#### AMOUNT OF REBATE.

Senator PLATT. How much difference of rate do you suppose is given to such a firm?

Mr. MURCH. At times it is all the way from 5 cents up. That is a hard matter to tell. Such matters are generally on the contract system, or on an inside system of rebates or drawbacks, which are made with the different concerns that are thus favored.

Senator HARRIS. Five cents on the bushel?

Mr. MURCH. Five cents on the hundred pounds. It depends upon the distance at times. I would not like to make a statement of any particular amount; but that is about the run. It is 5 or 6 cents. At times it is higher, and at times it is lower. It depends upon the company.

Senator PLATT. If one man can get a rate so that he can ship from interior points to Saint Louis at 3 cents a bushel less than another man, he has a good profit, in that sense, from that fact alone, has he not?

Mr. MURCH. He has simply a monopoly, which is now the case to some extent in the different markets of our country.

Senator PLATT. That man can get rich, while his neighbors who are paying the ordinary freight charges cannot make anything?

Mr. MURCH. Cannot make anything, and cannot exist.

The CHAIRMAN. Under those circumstances they would have to quit the business?

Mr. MURCH. They have to quit the business. It is a great detriment to the many, and is a system which creates a monopoly on any of our lines where it is in vogue, and particularly with reference to the grain business.

## DISCRIMINATIONS SHOULD BE PROHIBITED.

The CHAIRMAN. It results from the fact that that man has this private agreement with the railroads?

Mr. MURCH. It results from his getting a drawback under a private agreement with the railroads. According to my notion of things, the only way to prevent that kind of business is by the National Government taking control of matters of that kind and making it a punishable offense. It should be prohibited by a strict law. There should be a strict law prohibiting a railroad from discriminating against individuals or communities. In Saint Louis we have a pool system in vogue, such as exists in most States. Our pool during last summer, and in fact generally, has held its members very strongly to their obligations, with an iron rod.

The CHAIRMAN. They have held to one another?

Mr. MURCH. They have held to one another; whereas the pools in Kansas City and Chicago have been broken and rates have been openly declared all the way from 7 to 12½ cents below the regular tariff. That consequently kills the freight of our city by a discrimination which is in every way unjust. It does not give rise to very pleasant feelings toward railroads. That has been a fact existing right here in our city. To-day railroads are taking grain, mill-feed, and flour, and material of that kind at schedule rates from Chicago, which are considerably less than from our city. They take it on a basis of mileage, and we are simply cut out. During last summer we were completely cut off at different times.

The CHAIRMAN. Notwithstanding the pool rate put you about on a par?

Mr. MURCH. The pool rate, as published, would put us on a par, but the pools were not observed.

Senator PLATT. They were observed here, but were not observed elsewhere?

Mr. MURCH. They were observed here, but were not observed elsewhere, and it caused us to lose a great deal of our business. It simply cut us off.

## POOLING.

Senator PLATT. Such a state of things would ruin you?

Mr. MURCH. It would be ruin to the city, and has been ruin to the city. The pooling system, as a system, if strictly adhered to and honestly carried out, would not be so very much opposed by the merchants. But as it is generally carried out some gentleman or firm, who is a particular friend of some railroad manager, gets the inside reduction from the pool rates in the shape of a drawback. That is shortly found out, and in the mean time every competitor in that line is compelled to suffer.

The CHAIRMAN. The existence of the pool does not produce that condition of things. If a railroad manager has a particular friend whom he wants to favor, he could favor him whether there were any pools or not?

Mr. MURCH. Yes, sir; unless there were a law which would protect the business community at large.

## CAUSE OF ILL-FEELING TOWARD RAILROADS.

The CHAIRMAN. You would rather have competition, where there was no pretense of maintaining rates by the different roads, than to have competition where there was such a pretense?

Mr. MURCH. Most decidedly.

Senator PLATT. You think it would be better for you to know that it was an open fight?

Mr. MURCH. I would rather take my chances. But when they make up a pool, and then on the sly give my neighbor a cut or drawback of 5 cents a hundred, I am simply barred from doing any business. It is a gross injustice to the different competitors, and is a matter which has brought about a great deal of ill-feeling among the merchants and business communities of the country. It is a matter which ought to be remedied beyond all question by a strict law of the National Government. The National Government ought to control the national highways. There is no question about that; and sooner or later, probably, that time will come.

Senator PLATT. You think that should be done to the extent of seeing justice done?

Mr. MURCH. To the extent of seeing justice done between the business communities.

#### THE SMALL AND THE LARGE MERCHANT.

I think you asked a question in regard to the feasibility of a man with limited means competing with a man of large means in our days. I believe it is a great source of our business trouble that that has got to be almost impossible.

The CHAIRMAN. You mean that it is almost impossible for a man with little money to compete with a man with large means?

Mr. MURCH. Yes, sir; the man of large means can, by his wealth, purchase large amounts of merchandise or produce. I speak particularly, of course, of the products of the country, which are handled in large quantities, such as grain and flour and mill feed, &c. He can always get an inside rate from the railroad, or at least he generally can, which the smaller shipper cannot get. Consequently he has an advantage which simply kills off the smaller shipper. In fact it generally kills off competition in the community. It tends to turn the whole system of trade into the hands of the wealthy monopolists.

The CHAIRMAN. And that is against the fundamental spirit of our institutions?

Mr. MURCH. That is against the fundamental spirit of our institutions, certainly.

#### OWNERSHIP OF SAINT LOUIS BRIDGE.

Senator PLATT. Is it generally understood here that Mr. Gould controls the bridge?

Mr. MURCH. It is generally understood that Mr. Gould controls the system of railroads centering in Saint Louis from the South and Southwest.

Senator PLATT. And from the East?

Mr. MURCH. Of course, the bridge included.

Senator PLATT. And also pretty largely from the East?

Mr. MURCH. Certainly, to some extent.

Senator PLATT. He does not put the bridge in as part of the railroad system?

Mr. MURCH. That bridge here is an independent source of revenue to its owners, and it is a great source of detriment to the city of Saint Louis as regards the charges which are put upon the traffic.

Senator PLATT. That is, they are higher in proportion?

Mr. MURCH. In proportion.

Senator PLATT. They are higher according to the distance, or the amount of capital invested, than they are over the routes which freights have to take coming into or going out of Saint Louis?

Mr. MURCH. Yes, sir; most decidedly so.

The CHAIRMAN. The committee will at this point adjourn its session in Saint Louis. We leave this city to-night for Des Moines, expecting to reach there about noon to-morrow, and will have a session at Des Moines to-morrow afternoon.

The committee then adjourned to meet at Des Moines, Iowa, at 2 o'clock p. m., June 19, 1885.

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#### DES MOINES, IOWA, *June 19, 1885.*

The committee met at 2 p. m., pursuant to adjournment.

The CHAIRMAN. We are here as a committee under a resolution of the Senate of the United States for the purpose of making inquiries in relation to the question of inter-State commerce, and more particularly for the purpose of ascertaining the views of the people as to what legislation, if any, should be enacted by Congress looking to the control of commerce between the States. We have been in the habit, as we have gone into the different States, of first hearing the railroad commissioners of the State, and then of hearing any others who may be present or who may be willing to give us their views. We will not vary from that rule, and if the railroad commissioners are prepared to be heard we should be glad to have them proceed.

#### J. W. McDILL'S STATEMENT.

JAMES W. McDILL, a member of the railroad commission of the State of Iowa, appeared, and said:

We received a communication from your committee a few days ago requesting us to furnish a summarized statement of the railroad legislation of this State. With a view of doing that in a concise way we have prepared a paper which, with your permission, we will read.

#### RÉSUMÉ OF RAILROAD HISTORY.

From the year A. D. 1853 to the breaking out of the war was the planning and building period for railroads in Iowa. All legislation was for the encouragement of railroad building, and the matter of railroad control does not seem to have been thought of or discussed. One who studies the legislation of that period cannot fail to note an anxiety to encourage investments in railroad property. A new and growing community was earnestly struggling for railroad facilities and keenly appreciated their necessity for the development and growth of the State. During the war little or no progress was made in railroad building. At its close the activity and progress were almost magical in character. Very soon lines were completed, systems arranged, and almost as soon there began to be uneasiness and dissatisfaction manifested as to railroad management. The country was new and the situation poorly understood both by railroad officials and the public. In

railroad circles the old idea of vested rights under the charters and grants was the controlling idea. They were accustomed to look upon the railroad from a purely proprietary standpoint. The property, it was claimed, belonged to the stockholders, and the public had nothing to do but to pay the rates established and take the accommodations furnished, as the sole consideration should be profit to the owners. From year to year the situation grew worse and worse. Abundant crops, extraordinarily low prices for products, a disturbed condition of mind upon currency and financial questions generally all served to intensify the dissatisfaction, and angry agitation was the order of the day. The loudest talker and the wildest declaimer led the people, and there was in appearance nothing but clash and conflict to be expected in railroad matters.

#### THE GRANGER LAW.

Legislation was had in 1874, resulting in the passage of what was known and is yet known as the "Granger Law." This act, the result of a conflict of the character above faintly outlined, was not by any means so unwise an act as might have been anticipated from the nature of the preliminary contests and the irritating circumstances which surrounded them. The theory of the law was a limitation of maximum charges for transportation of passengers and freight. The several railroads were classified according to the gross amount of their respective earnings within the State per mile, as follows: Class A included those earning \$4,000 per mile or more; Class B, those earning \$3,000 per mile and less than \$4,000; Class C, those earning less than \$3,000 per mile.

Passenger rates, with ordinary baggage, were fixed for Class A at 3 cents per mile, Class B  $3\frac{1}{2}$  cents per mile, Class C at 4 cents per mile. A fixed-distance tariff rate was then enacted for one mile and each additional mile up to a distance of 362 miles upon first, second, third, and fourth-class merchandise per hundred pounds, upon flour and meal per barrel in car-load, upon salt, cement, plaster and stucco per barrel in twenty-five barrel lots, upon all grain, except wheat and mill-stuffs per hundred pounds in car-loads, upon wheat per hundred pounds in car-loads, upon lumber in car-loads, horses and mules per car-load, cattle and hogs per car load, sheep per car-load, classes A, B, and C in merchandise per car-load, and coal per ton per car-load. Railroads in class A could charge 90 per cent. of the rate fixed; in class B 105 per cent. and class C 120 per cent., and it was declared unlawful to charge more. A careful classification of goods and articles to be transported was then enacted. Each company was required to prepare and keep posted in each of its freight and passenger offices a true copy of the classification and its rates under the law. An annual statement of receipts was required from each company January 1, 1875, and each January thereafter. Penalties for violation of the act were prescribed. If twenty taxpayers notified the governor of a violation of the law, he was to employ suitable counsel and prosecute the delinquent company. Money was appropriated to conduct the prosecutions. All connecting roads for the purpose of fixing rates were to be regarded as one road. Like charges were required to be made under similar conditions. All concessions of rates, drawbacks and contracts for special rates, founded upon the demands of commerce and transportation, were to be open to all persons alike from the same place and upon like conditions. Each officer, agent, or employé of the companies who violated the provisions of the act was declared guilty of a misdemeanor, and subjected to fine and imprisonment, and any corporation authorizing, directing, causing, or permitting

any violation of the law by its servants forfeited to the person injured five times the amount, compensation, or charge illegally taken, with attorney's fee to be taxed as costs. Thus was provided rates fixed by law, classification fixed by law, penalties and punishments together with punitive damages. With one or two exceptions the companies endeavored to obey the law, but the feeling was intense.

Similar laws had been passed in other Northwestern States, and, claiming that the law was unconstitutional, the companies took measures to test its validity, which ended in what are known as the Granger cases, which seem to have established the doctrine that the States may, without violation of any right, regulate domestic as distinguished from inter-State commerce, and in so doing may fix maximum rates. The practical effects of the law were eagerly observed, and prophets were not wanting to encourage the contending disputants. Time, however, told its own story. Some industries were benefited by the law, others were injured. Some localities were helped, others were hurt. In general terms, it may be said that the eastern part of the State was benefited, while the central and western parts were crippled by the operation of the distance tariff. The general arrangement of distance charges may be gathered from the following statement: One hundred pounds of first-class merchandise paid for one mile, twelve cents; for three hundred and sixty-two miles, seventy-three and a half cents. In the course of four years the change of sentiment in reference to the law was such as to bring about a repeal thereof and the enactment of the present, known as the Commissioner law. All parties seemed to unite upon the necessity of regulation; they only differed as to the manner. The prevalent belief was that the law of 1874 was not sufficiently elastic and was unequal and unjust in its operation.

#### THE COMMISSIONER LAW.

The law of 1878, known as the Commissioner law, repeals all portions of the act of 1874, known as the Granger law, except that portion which provides for the classification of railroads according to earnings per mile, fixes rates for passenger fare, and requires an annual report of gross earnings. It requires the governor to appoint three persons, one of whom shall be a civil engineer, who shall constitute a Board of Railroad Commissioners, and they are to appoint a secretary. They are to have general supervision of all railroads in the State operated by steam, so far as the public safety and convenience is concerned. To this end they are to inquire into any violation of the laws by railroad companies or their employes, to inform themselves of the condition of the lines, their equipment and the manner of their conduct and management. If a bridge is deemed unsafe, they may require it to be made safe, and if their order is not obeyed within ten days, they may stop and prevent the passage of trains over the bridge while unsafe. They may call the attention of the companies to any violation of the law or of their charter obligations, to necessary repairs to the road, to necessary additions to the rolling stock, to necessary additions to or changes of stations or station-houses, to changes in rates of fare for transporting freight or passengers, or to any change in the method of operating the roads or conducting their business, which in the judgment of the commissioners is reasonable and expedient in order to promote the security, convenience, and accommodation of the public.

Such recommendations are to be in writing, and regularly served upon any station agent, clerk, treasurer, or director of the company ;

and, if disregarded, that fact is to be reported in their annual report to the legislature. Reports are required from the companies to the commissioners showing capital stock, preferred stock, funded debt and rate of interest, floating debt, cost and present cash value of road, value of other property, acres of land granted, acres of land unsold, list of officers and directors, average amount of tonnage that can be carried over the road with an engine of given power, and such other facts as the commissioners may deem important.

The commissioners are empowered to examine the books of the company, subpoena witnesses and examine them under oath. Railroad companies are required to furnish suitable cars for the transportation of freight to all persons applying, to transport the same with reasonable dispatch, to provide and keep suitable facilities for handling and forwarding freight, to receive the empty or loaded cars of any connecting road, and to return the same, and to charge no more for doing so than other connecting roads are charged; to charge, demand, or receive no greater sum from any person, company, or corporation than is charged others for a like service from the same place, or upon like condition and under similar circumstances. All concessions of rates, drawbacks and contracts for special rates are to be open to and allowed all alike at the same rate per ton per mile by the car-load upon like conditions and under similar circumstances, unless by reason of the extra cost of transportation from a different point the same would be unreasonable and inequitable, and shall charge no more for transporting freight from any point than a fair and just proportion of the price charged for the same kind of freight transported from any other point. Unreasonable charges for hauling, handling, or storing freight, or for any other service, are prohibited. Extortion and unjust discrimination is prohibited, and treble damages and attorneys' fees given to any person so injured. Serious accidents, resulting in loss of life or personal injury, are to be investigated by the commissioners with a view to ascertain any mismanagement or neglect. Provision is made for formal complaint by the mayor and aldermen of a city or the trustees of a township as to passenger or freight rates or the condition or management of the road. If the commissioners find the complaint well founded they are to notify the railroad company of their finding, and report to the general assembly. A copy of the act is attached to this paper and respectfully submitted with the same. This act, approved March 23, 1878, has remained the law without any important amendment to the present time, except legislation had at the last session of the general assembly. It may be said that the law and method of regulation is yet upon trial. How it has affected the welfare of the community may, we think, be gathered from the reports of the commissioners made annually, beginning with the year 1878 down to the present year.

#### WANT OF POWER IN COMMISSION.

It is certain that the most serious objection, at least in the mind of those who oppose the present method of regulation in Iowa, to the law as above quoted has been that the commissioners have, as it is asserted, no power to enforce their decisions and recommendations. In fact, almost every decision and order has been obeyed by the companies, but an important order made about two years ago was disobeyed by one of the companies, which gave force to the argument of those criticising the law, and the last general assembly gave power to the commissioners to enforce their decisions in certain instances. By the terms of that



act if an order made by the commissioners was deemed by them to be one affecting public right, and should be disobeyed, they are required to certify that fact to the attorney-general, who is to bring suit in the courts in the name of the State, and if the courts find that the commissioners had authority to make the order, such orders and decrees are made by the courts and such process issued as shall be deemed necessary to enforce performance on the part of the delinquent company. In a large number of cases that come before the commissioners the whole matter involved affects only private right. In such cases there is no power to enforce their decision except that unmeasured power, public opinion, if the decision appears just and equitable in its nature. We are bound to say that acting as umpires and arbitrators we have never felt the necessity of any other power.

The CHAIRMAN. I was going to inquire of you whether, as a matter of judgment in the light of the experience you have had, you think the public interest requires that greater power should be vested in the commission?

Mr. McDILL. I think the grant of power to certify orders affecting public rights goes as far as is necessary. The objection in my mind in granting power to certify cases affecting private rights would be that it would seem at once a new court has been established; and probably with the establishment of a new court, with processes, would come the proverbial delays of the law, the long tedious pleadings, and all that results from court practice. Our plan has been to encourage complaints, and to have no form of complaint, but to attend to any statement that might be made upon a postal card, or by letter, or in whatever way it came, at once.

The CHAIRMAN. To attend to any complaint coming from the people?

Mr. McDILL. Yes, sir.

#### DECISION OF COMMISSION GENERALLY ACQUIESCED IN.

The CHAIRMAN. So far as your experience has gone in dealing with these private grievances, the judgment of the commission, after hearing the complaint, has been acquiesced in by the transportation company, has it?

Mr. McDILL. Yes, sir. I do not recollect any instance in which the companies have refused to do what was recommended by the commissioners, except as to two cases that have come up under the new law.

The CHAIRMAN. Will you explain them?

#### ONE EXCEPTION.

Mr. McDILL. The first case is the case known in Iowa as the Northwood case, so called because the petition was filed by the citizens of Northwood, a town in a county in the northern part of the State. The facts, as near as I can state them, are that there is one line of road, the Iowa Central, which passes through the town of Northwood. Desiring to have competition, the people of Northwood gave aid to the Burlington and Cedar Rapids road, with the understanding that for a few miles the Burlington and Cedar Rapids might use the line of the Iowa Central instead of building a line. The object of the people was to have two roads running into their town instead of one. The aid was accepted by the Burlington and Cedar Rapids, and the arrangement was made with the Central for the use of its line for that short distance. Some time afterwards, however, the Central abandoned its line at

Northwood, which left the people of Northwood with one line practically, the lessee alone operating the line. They contended that under the rights that inured to them by virtue of the aid that was given, the Central road should operate a train.

The CHAIRMAN. It had no right to abandon its track?

Mr. McDILL. It had no right to abandon it. I was not then on the commission. This was before I came on. The commissioners held that there was an obligation resting upon the Iowa Central road to operate that line. Since I came on to the commission, finding that that order had been disobeyed, we certified the case to the attorney-general, who brought a suit. It was argued, a few weeks ago, before the district Court of Worth County, and the judge of that court has not yet made his decision. I have followed the case as far as I can.

The CHAIRMAN. That was one case; what was the other?

#### A SECOND EXCEPTION.

Mr. McDILL. The other case came up in the same way, before I came upon the board. I think it was in regard to inter-State shipments. That raised a very difficult question. Somebody in Morrison, Illinois, shipped a buggy to Glyddon, Iowa. It was developed on the investigation of the case that the inter-State charge was greater than the aggregate local charges. That is to say, the distance rate from Morrison, Ill., to Clinton, added to the local distance rate from Clinton to Glyddon, would make a sum less than the amount charged. The commission, as then composed, concluded that they might have control over that kind of a shipment, and they ordered the delinquent road, or the road investigated, to so change its inter-State tariff rates as to conform to its local rates for the purpose of this case, those local rates being presumed to be reasonable. We certified the case (upon the road disobeying the order) to the courts. A petition was filed by the attorney-general, and a demurrer was interposed. That demurrer has not yet been argued. The point raised, you can see clearly, is the power of the State over that kind of commerce.

The CHAIRMAN. So that that case is still pending?

#### THE THIRD EXCEPTION.

Mr. McDILL. That case is still pending. It has not yet been argued. Those are the only two cases that I now recollect in which there was ever any refusal, except one case some few years ago. A gentleman, who was receiver of a road (the road being in the hands of the court), declined to submit to a suggestion made by us, saying that he felt that the only authority there was over him was the court that appointed the receiver, and that he would not obey the commissioners until the court told him to. I believe shortly afterwards he took the advice of the court and obeyed the order. If there are any other cases, I have forgotten them.

The CHAIRMAN. From your experience as a commissioner, and from a study of the subject generally, what kind of legislation, in your opinion, should be adopted by Congress looking to the control of inter-State commerce?

#### A NATIONAL COMMISSION.

Mr. McDILL. I have thought for years that the only method by which there could be any intelligent and sufficient control would be through a

national commission. That commission, it seems to me, would necessarily, in order to accomplish its work, have to be a numerous body, so that there should be a representation of the different local interests that we know exist in the United States.

I have always thought that a very wise provision in such a law would be one allowing (I do not know whether or not you can go further than that) the commissioners of the States to refer cases of irregularities with regard to inter-State commerce to the commission for their investigation. The reason I have thought of that is that we find very often cases we would like to deal with if we felt we had the power. In Iowa a very large proportion of the traffic is inter-State.

The CHAIRMAN. The shipments are east and west mainly, I suppose?

Mr. McDILL. Yes, sir. Our roads carry a great deal, or nearly all, of the Union Pacific traffic. Then there is, of course, a great deal of shipment from this State east.

The CHAIRMAN. Have you thought about the question of how much authority or power should be given that commission?

#### POWER OF COMMISSION.

Mr. McDILL. Yes, sir; I have thought about that. I do not think it would be wise probably to impose upon such a commission the duty of fixing rates generally, but I think they ought to be authorized to examine a case when a complaint is made with reference to a rate, and they ought to have the power, if they find the rate complained of is too high or too low, to fix it as it ought to be.

The CHAIRMAN. When they fix it, should that be absolute, or should the railroad or the transportation company have the right to appeal to the courts?

Mr. McDILL. I do not see any objection to that. I do not know that that could be limited. They ought to have some right to review the action of the commissioners. The commissioners might make a grave mistake.

The CHAIRMAN. Would you be in favor or not of giving the commission power to investigate complaints made before it, and to determine for themselves the extent of the damage or injury, if any, done to the person complaining by the transportation company, and then make that finding of the commission *prima facie* evidence of correctness in a court of justice, in case the transportation company declined to comply with the judgment of the commission and settle accordingly?

Mr. McDILL. I think that the commissioners should have power to examine complaints. I am hardly prepared to say whether I think their findings should be *prima facie* evidence in the courts or not. Probably there would be no objection to that.

Senator PLATT. Going back to your answer to the last question, do you mean to be understood as saying that the law ought to provide, or might provide, for an appeal from the decisions of these commissioners to the court?

Mr. McDILL. I mean to say this: that I suppose there would be a right to be heard in court in almost all these cases.

Senator PLATT. Of course, if a railroad company should refuse to comply with the finding of the commissioners, there would have to be some power to institute a suit against them, and they meet it in that way. But if there were a right of appeal given, would you ever get to the end?

Mr. McDILL. I think if the right of appeal were given it might be

well to provide that the appeal might be taken after the performance of the order or suggestion.

The CHAIRMAN. In some States—the State of New York, for instance—the commissioners believe that the facts found by their commission ought to be *prima facie* evidence in a court of law; and it is a question in my mind, if a commission should be created by the National Government, whether that power ought not to be vested in a national commission, at least as to their findings of facts.

Mr. McDILL. I can see no objection to making them *prima facie* evidence.

#### REBATES AND DRAWBACKS.

The CHAIRMAN. I believe you say in your paper, in reference to the Iowa law, that you have the power of settling questions of rebate and drawbacks. As I understood it, under the existing law in Iowa, a railroad has a right to pay rebates to shippers if it chooses to do so. Did I understand that correctly?

Mr. McDILL. The wording of the law is that all contracts for rebates and concessions of rates shall be given to all alike under similar conditions. It does not seem to prohibit giving rebates, but prohibits giving them in a secret way and through favoritism.

The CHAIRMAN. You construe it to prohibit giving rebates in a secret way?

Mr. McDILL. Yes, sir.

The CHAIRMAN. Would you not believe that Congress ought by a law to prohibit the payment of rebates absolutely?

Mr. McDILL. I am somewhat inclined to think so. The rebate is a dangerous thing. A secret rebate, I think, is the seat of nearly all the ills that are complained of.

The CHAIRMAN. It is a means of discriminating between persons, and of favoring one to the detriment of the other?

Mr. McDILL. A far more manly way would be to come up and say that all persons engaged in like occupations and under similar circumstances shall have a rate which the public shall know.

The CHAIRMAN. You think that rebates should be prohibited, except for the correction of mistakes?

Mr. McDILL. Of course.

#### PUBLICITY OF RATES.

The CHAIRMAN. What is your judgment upon the question of requiring rates to be made public?

Mr. McDILL. I think that rates when established should be made public. I think everybody should be able to ascertain what is the rate on a given article.

Senator HARRIS. In connection with the question you have just answered, should rates established and public be changed without giving a reasonable notice of such change?

#### NOTICE OF CHANGE IN RATES.

Mr. McDILL. No, sir; I think not. Stability of rates is very desirable, and the public ought to know what the rates are.

The CHAIRMAN. How much time should be given?

Mr. McDILL. I do not know about that. I should think a short time would be sufficient. Ten days

The CHAIRMAN. You think they ought not to be changed without giving public notice?

Mr. McDILL. It seems to me there should be a notice of a change of that kind.

#### POOLING.

The CHAIRMAN. There prevails in the country a system of pooling by these transportation companies, with their headquarters in New York and Chicago and at other places. What is your opinion as to the pooling system? Should it be prohibited, or regulated by law, or allowed to go on as it is now?

Mr. McDILL. It seems to me that if allowed there ought to be a submission to some tribunal of the agreement; or, at least, there ought to be a power to complain to if it is found to be unjust or against public policy. There ought to be some power to pass upon it and set it aside or approve it. I think the Commission should have some power over pooling.

The CHAIRMAN. Have the people of this State (or of this city, more properly) been considered in the pool system?

Mr. McDILL. I cannot answer that fully. Mr. Dey can answer that better than I can. There is a pool at Council Bluffs. I think there is a pool here, but I am not certain.

Mr. DEY. There is a pool here.

Mr. McDILL. I believe they are carrying at ten cents to Chicago.

The CHAIRMAN. You are not prepared to say that pools should be absolutely prohibited, but you think that if they are allowed to exist they should be subject to the supervision and modification, as the case might be, of the railroad commission?

Mr. McDILL. Yes, sir; I believe that some competition may be undue. I believe that circumstances may lead some one of several contending roads to put rates entirely too low, and I believe too low rates are about as injurious as rates entirely too high. If I understand it, the object of pooling is to try to meet such a case.

The CHAIRMAN. What do you think ought to be done, if anything, in reference to the long and short haul question? For instance, it is contended by some people that there should be a law passed absolutely prohibiting the charging of a greater sum for a long than for a short haul of freight carried from the same point and in the same direction?

#### LONG AND SHORT HAUL. .

Mr. McDILL. I doubt whether such a law would be a wise law. Take the case of a road that at some point competes with a water line. I think it might work very serious injury, unless possibly the water line were taken in and regulated too.

The CHAIRMAN. It would be necessary to pass a law fixing a maximum and minimum rate for them, or at least a minimum rate if the water line were taken in, in order to control the whole question?

Mr. McDILL. I think so; yes, sir.

The CHAIRMAN. What do you think about the question of fixing maximum and minimum rates, or either, by statute?

#### MAXIMUM AND MINIMUM RATES.

Mr. McDILL. I think it is a pretty doubtful question. But in comparing the two, the maximum and minimum rates, I should think more

good would result from fixing a maximum than a minimum rate. If a minimum rate were fixed, it might entirely obviate the necessity of pooling. But I think the difficulty would be to ascertain what would be a reasonable and proper minimum rate; and then I think what would be a proper minimum rate this year might be too high next year. There would be difficulty about it.

The CHAIRMAN. The rates of transportation of freight changing according to the circumstances existing in the country?

Mr. McDILL. Yes, sir.

The CHAIRMAN. Most of the freight shipped out of Iowa goes where?

Mr. McDILL. I think most of it goes to Chicago.

The CHAIRMAN. And from Chicago on to the seaboard?

Mr. McDILL. Yes, sir.

The CHAIRMAN. If there were any legislation prohibiting the charging of more for a short than for a long haul, would it be likely to affect the rates of transportation of freight from here to Chicago, or from here to New York?

Mr. McDILL. I think it would. I think it would raise the rates.

Senator HARRIS. The through rates do you mean?

Mr. McDILL. Yes, sir.

#### PUBLIC SENTIMENT AS TO RAILROADS.

The CHAIRMAN. What is the actual sentiment of the people of Iowa, as far as you know it, with reference to the transportation companies of the country. Are they in a complaining state of mind, or are they satisfied with the condition of affairs?

Mr. McDILL. That is a very difficult question for me to answer. There are all kinds of people. I hear a good deal of complaining. And again, from others, I hear an expression of satisfaction. I think there is an element of our population that is dissatisfied.

The CHAIRMAN. Do you know what is the basis of that dissatisfaction?

Mr. McDILL. I think the impression is abroad that the railroad companies are making a great deal more money than anybody else, and that it cannot be right. There is too much wealth in a railroad corporation and not enough out on the farm and in the workshops. There is some such feeling as that.

The CHAIRMAN. An appeal comes to us for help from the railroads. The railroads say they are going to destruction as rapidly as time can take them. This committee has come into this State for the purpose of reaching, as nearly as possible, the agricultural element of the country, so as to ascertain if we can what the feeling and sentiment of the agricultural people, as well as of the business men in the centers, may be on this question. Hence we ask you that question.

#### THE PRINCIPLE OF WHOLESALE AND RETAIL.

Mr. McDILL. I might say that there has been quite a different opinion and quite a discussion in this State with reference to what is known as the wholesale and retail question as applied to transportation.

The CHAIRMAN. What is that?

Mr. McDILL. There have been concessions or jobbers' rates, I understand, made to jobbers in this State. There has been a good deal of contention in the press about that, some contending that they were wrong in principle and that they were injurious to the retailers, while others contend that such granting of rates to jobbers is within the spirit

of our law, being concessions to those who are similarly situated, and that they enable us to build up our cities and manufacturing enterprises. There has been some such discussion.

The CHAIRMAN. That involves the question whether a man who does a large business shall have an advantage over a man who does a small business?

Mr. McDILL. Yes, sir.

The CHAIRMAN. What is your opinion about the rightfulness of that?

Mr. McDILL. My opinion is that transportation is just like any other commodity that is for sale, and that a railroad company should observe the same rules in selling transportation that a business man does in selling his goods. In case large quantities are purchased, lower rates should be given.

The CHAIRMAN. Do you not believe that the railroad company occupies a little different attitude towards the public from that of the citizen who is selling goods?

Mr. McDILL. Yes, sir; so far as its public nature is concerned; but in its business transactions, except where interfering with public convenience or safety, I regard it is to be governed by the same rules as govern a private party.

Senator PLATT. You recognize the right of a private individual in business not only to sell cheaper to a man who buys a large lot than a small lot, but to sell one man goods below cost if he has a mind to, while he may ask another man more than the price of the goods. Do you think that is right?

#### PUBLIC OBLIGATIONS OF RAILROADS.

Mr. McDILL. No, sir; I think that should be prohibited, because it would be a violation of public duty. If the concession or the right is given to all similarly situated, I can see no unjust discrimination in it.

Senator PLATT. But if a railroad company is to be judged by laws which are supposed to regulate private business in one thing, why should it not be so judged in all things? Why should it not have the liberty which every man has in the conduct of his business, to do just as he pleases?

Mr. McDILL. That thought has occurred to me often, and I have studied over it a great deal.

The CHAIRMAN. Here is a corporation receiving its right to existence from a government—State or national. It gets the right of way, and goes into business with that sort of grant from the Government. It becomes in a manner a political institution. Is it right that that institution, created by the State, should have the power to say to the poor man, "I will not carry your goods at this rate"—a given figure—but to the man who has plenty of money and can deal in large quantities, "I will carry yours"?

Mr. McDILL. No, not if it was talking to the poor man as distinguished from the rich man; but if it was speaking to a class, and there were reasons why that service could be performed for that class cheaper, I would not see any harm in it.

#### THE LARGE AND SMALL SHIPPER.

Senator HARRIS. Take this case. Here are fifty men, each of whom has a car-load of grain, say, to be shipped from here to Chicago. There is one man who has fifty car-loads of grain in the depot to be shipped to

the some point. Is there any just and right reason why the man who ships fifty car-loads should get a lower rate than the fifty men each of whom ships one car-load over the same line of road and at the same time?

Mr. McDILL. If the fifty men have come together with the fifty cars, and are ready to make up, say, five trains, possibly there might not be; but ordinarily, the way these dealings go on, I think the man who ships fifty cars could get the service cheaper.

The CHAIRMAN. You think he ought to get it cheaper?

Mr. McDILL. I think he might.

Senator HARRIS. Do you think he ought to?

Mr. McDILL. Yes, sir; for it is cheaper, and can be handled cheaper by the company. My impression is that larger quantities can be handled cheaper.

Senator PLATT. Do you think he should get a concession beyond the actual difference in handling?

Mr. McDILL. No, sir; not any concession beyond the real difference. That, of course, is a very dangerous power to leave in the hands of the railroad companies without any check in the way of regulation.

Senator HARRIS. Taking the case I have put, is there or can there be any difference? The case I put was in each instance fifty car-loads in the depot ready for shipment—fifty belonging to one individual and fifty others belonging to fifty different individuals.

Mr. McDILL. In the case you put I do not know that I could point out any particular difference in the cost. Probably practical railroad men might, but I am not able to do so.

Senator HARRIS. Is not the inevitable tendency of making concessions to the large shipper over the small shipper upon the ground that he is a large shipper to give the capitalist and large operator an advantage in his trade over the man of small means and small business operations?

Mr. McDILL. Its effect, as I look at it, in this State, speaking of it specially, is to enable us to have jobbing houses at home in our cities, and those who have capital stand upon equal footing. They cannot all engage in the jobbing business if they had the same rate, and those who are in the retail business are not hurt, as I consider it. That is, those who consume are not hurt. Probably they are helped by getting cheaper goods.

#### THE UNIT OF TRANSPORTATION.

The CHAIRMAN. What do you regard as the unit of shipment?

Mr. McDILL. I do not believe I can answer that.

The CHAIRMAN. You do not know whether it ought to be a car-load or 100 pounds?

Mr. McDILL. I do not know what it ought to be. I confess I am not able to tell.

Senator PLATT. Can you make any one unit which applies to all classes of shippers?

Mr. McDILL. It does not seem to me that you can. Our law seems to often mention the car-load. I noticed, being in Colorado the other day, that the law just passed by the Colorado legislature recommends the car-load as the unit, and then again recommends five car-loads as another unit.

The CHAIRMAN. Which they ship cheaper?

Mr. McDILL. Yes, sir; they are allowed to make rates for car-loads and then another lower rate for five car-loads.



The CHAIRMAN. For the same commodity?

Mr. McDILL. Yes, sir.

The CHAIRMAN. Then they recognize the righteousness of carrying large shipments for a less sum per car?

Mr. McDILL. Yes, sir.

Senator PLATT. On what basis was the rate of freight fixed in the original act of 1871? It was not an actual mileage rate, as I understand it, but so much per ton per mile for any distance.

Mr. McDILL. Yes, sir. It took these articles that were mentioned in my paper, and it said for one mile and less than two so much a hundred or so much a car-load; for two miles and less than three, &c., giving an increase as it went out in distance.

Senator PLATT. You mean diminishing the rate as it increased in distance?

Mr. McDILL. No; increasing as the distance increased.

Senator PLATT. Did the rate increase exactly in proportion to the distance?

Mr. McDILL. Not precisely; I guess the rate for one mile as 12 cents for 362 miles  $73\frac{1}{2}$  cents.

Senator PLATT. What was the rule by which the rate was diminished proportionately as the distance increased?

Mr. McDILL. I was not familiar with the rule; I was not familiar with the discussion which took place before the law was passed. I may state that I heard that a great deal that was adopted had been previously adopted in Illinois.

The CHAIRMAN. As a matter of fact, the railroads and every body else guessed at it, to start with?

Mr. McDILL. On classification, I should think so.

Senator PLATT. If I understand you, you do not think it is practicable as to this inter-State commerce to make a rate of so much per ton per mile for long distances and short distances alike?

Mr. McDILL. I think it would lead to very great difficulties.

Senator PLATT. Do you think there is any principle on which a rate can be fixed which shall have some reference to an increase of the charge as the distance increases, and yet shall, as was attempted here, be less per mile for the long distance than for the short distance?

Mr. McDILL. No; I think that all rates made upon such a basis will inevitably run higher as you get farther off, and the long distance will be, of course, a higher charge, if I understand you.

Senator PLATT. I do not think you do. It is said they are transporting grain and such freight from Chicago to New York at absolutely less than cost. I understood you to say you did not think that was good for the business community, the consumer, the producer, or any body else.

Mr. McDILL. The reason I said that was, that that kind of work cannot last long. The fluctuation of prices and fluctuation of rates are very damaging to business.

Senator PLATT. You think that must be left open to competition, so that the railroad can reduce rates below cost?

Mr. McDILL. I should think sometimes it is the duty of the railroad company to carry things below cost for a short time, and under peculiar circumstances—not only the duty, but it seems to me it would often be the practice of good business to do it.

The CHAIRMAN. Can you instance a circumstance?

Mr. McDILL. I can instance a case where a road is largely dependent upon the grain-growing country for its business, and there has been an

abundant crop and very low prices. I think that it would be a good business principle for a railroad, under such circumstances, sometimes to carry that grain to market for less than cost, looking to the maintenance of the community on which the road depended.

Senator PLATT. Do you not think a great deal of this difficulty or irritation which exists in the public mind grows out of the fact that the railroads reduce freight for long distances to non-remunerative rates?

Mr. MCDILL. I think a great deal of the difficulty comes from the low through rates, and particularly from the fact that the rates seem to be higher from points nearer to the market than from points distant from it.

Senator PLATT. Here is a man in the interior of Iowa who wants to get his grain to New York. He finds they are carrying it for 12 cents per hundred from Chicago to New York or elsewhere, while he, living probably half that distance from Chicago, is charged more for the same freight. He inevitably thinks there is something wrong about it.

Mr. MCDILL. He is apt to reflect that they are doing the same thing for Kansas and Nebraska and all the West here.

Senator PLATT. And the average citizen will not believe, without a great deal of explanation, that the railroad is doing anything for less than cost?

Mr. MCDILL. No. I do not know that there are very many instances of it. But still there are some.

Senator HARRIS. If a railroad company sends through freights over a long haul for less than cost, is it not compelled to recoup upon its local business and make up its loss?

Mr. MCDILL. Yes, sir. I have no doubt in the world that our local rates are sometimes higher on account of low through rates.

#### PETER A. DEY'S STATEMENT.

PETER A. DEY, chairman of the Board of Railroad Commissioners of Iowa, appeared:

Senator PLATT. Do you desire to go over the same ground that Judge McDill has covered?

Mr. DEY. No. I do not think it is necessary. I do not know of anything further that I could say.

Senator PLATT. Of course, as to the construction and operation of the law you would agree with him?

#### WHOLESALE AND RETAIL PRINCIPLE. •

Mr. DEY. Yes, sir. Perhaps I might say one thing here which I think the judge did not say. Our law is evidently based on the idea of a difference between wholesale and retail. I think the spirit of our law is based upon that idea. We have been compelled to look at it from that standpoint. Our statute evidently recognizes that the man who ships fifty car-loads shall have a better rate than the man who ships one or two; and in the decisions that we have made we have been obliged to recognize that feature of our law.

Senator PLATT. Do you think that the law contemplates a difference greater than that which comes of the increased cost of handling in small quantities?

Mr. DEY. That is the idea evidently upon which it is based.

Senator PLATT. You do not think the law intended that because the

man was doing a large business he should have an advantage over the man with the small business?

Mr. DEY. No, sir. But I think our law recognizes that it costs more to do that work, and I think the statute intended to allow it. Senator Harris asked the judge a question to which my attention was called, with reference to shipping fifty car-loads. Fifty bills of lading have to be made. You have perhaps to deliver it to eight or ten different consignees. There is a real difference in the cost of the service, I believe. I think our statute contemplated that.

#### INCREASING NUMBER OF COMPLAINTS.

Senator PLATT. Have you had many complaints against railroads from the people?

Mr. DEY. Yes, a good many.

Senator PLATT. Have they been increasing under the law or diminishing?

Mr. DEY. Increasing. I think last year we had more than ever before. This year not quite so many, so far.

Senator PLATT. To what do you attribute that; to the fact that the law has not improved the situation, or that the people have learned that it was easy to complain?

Mr. DEY. That people have learned that there was somebody they could go to, and that a small matter would receive from the commission just as close attention as a matter that involved large amounts.

Senator PLATT. Have you had any difficulty with railroad companies as to furnishing you evidence upon which to base your conclusions?

Mr. DEY. No, sir.

Senator PLATT. They have given you all the facts you have asked for?

Mr. DEY. Yes, sir.

#### GOOD EFFECT OF THE IOWA LAW.

Senator PLATT. What do you think the effect of the law has been, on the whole—good or bad?

Mr. DEY. My impression is that the feeling between the corporations and the people of the State is a great deal better than it was seven years ago. There is more harmony of feeling—a better feeling.

Senator HARRIS. Is that mainly attributable to the legislation passed, and the creation of a commission?

Mr. DEY. Not so much the creation of a commission; but the fact that a commission has been created has enabled the people to see both sides of every question that has been discussed. When a man enters a complaint the railway company may make an answer that seems to him to explain what he had not understood before.

Senator HARRIS. It results, then, from the legislation?

Mr. DEY. Yes, from the legislation. For instance, when a complaint is made to us we send the entire complaint immediately to the railroad company. They answer it and give their reasons why such a thing is so. We send this to the complainant and get his views.

Senator HARRIS. The pleadings are made up in that way?

Mr. DEY. The pleadings are made up in that way; and then we tell them what we think about it.

#### NUMBER OF COMPLAINTS RECEIVED BY COMMISSION.

Senator PLATT. About how many complaints do you have per annum under this law?

Mr. DEY. I think last year we had about 120. We have had some 600 or 700 since the organization of the board—between 600 and 700.

Senator PLATT. What proportion of complaints have been found to be substantial complaints?

Mr. DEY. I should suppose about one-third—perhaps one half.

Senator PLATT. Do you think that in one-third or one-half of the cases you have requested the railroads to change what they have been doing?

Mr. DEY. Yes, sir.

Senator PLATT. What has been the action of the railroads upon such requests?

Mr. DEY. We have had no difficulty about these things.

Senator PLATT. The railroads have complied?

Mr. DEY. Yes, sir.

Senator PLATT. You, of course, can deal with matters only which are purely domestic in their nature?

Mr. DEY. Yes, sir.

Senator PLATT. Do you think that there is or is not a necessity that the Government shall do something with reference to the regulation of inter-State commerce?

Mr. DEY. I think it should.

#### A NATIONAL COMMISSION.

Senator PLATT. Do you think that can be regulated by a statute without the aid of a commission to carry out the statute?

Mr. DEY. No, sir, I think not. Let me explain my idea. I think there are no two cases that are presented where there is not some difference between them; and my impression is that you have to examine each case by itself. I do not think you can make any general law that will cover all cases.

Senator PLATT. You had four years of trial, as I understand it, in the State of Iowa to regulate the transportation companies by statute without a commission?

Mr. DEY. Yes, sir.

Senator PLATT. Do you agree with Judge McDill that in the estimation of the public that was a failure?

Mr. DEY. My idea is that the Iowa legislation, for fixed legislation, was the most perfect that man could get up. I do not believe if you attempt to govern the thing by fixed law that it is possible to do any better than was done by the Iowa legislation; but it was repealed.

Senator PLATT. Repealed, you think, because of the sentiment of the State that you cannot control it by fixed legislation alone?

Mr. DEY. Yes, sir.

Senator PLATT. Or, was it repealed because the railroad companies, for the time being, got it repealed?

Mr. DEY. No, sir. I think it was repealed because the majority of the people thought they were injured by it.

Senator PLATT. Do you see any reason why, if a State railway commission operates to relieve the people with reference to domestic transportation, a national railway commission should not operate just as beneficially with inter-State transportation?

Mr. DEY. My idea is that a national commission should take up matters that a State commission cannot reach. Our commerce is largely inter-State; very largely; 80 per cent. of the business of this State with railroads is inter-State commerce.

Senator PLATT. Is there any reason why a commission with reference to inter-State commerce should not have just as beneficial effect with reference as to that as a State commission has with reference to State commerce?

Mr. DEY. I think it would.

## RAILROAD SYSTEMS OF IOWA.

Senator PLATT. How many systems of railroads is Iowa tributary to or dependent upon at the present time?

Mr. DEY. I think I can give them. There are eight.

Senator PLATT. Could you name them?

Mr. DEY. There is the Chicago, Burlington and Quincy; the Chicago, Rock Island and Pacific; the Chicago and Northwestern; the Chicago, Milwaukee and Saint Paul; the Wabash, Saint Louis and Pacific; the Illinois Central; the Burlington, Cedar Rapids and Northern; and the Iowa Central. And then there are two or three small roads that you would hardly call a system.

Senator PLATT. The first four of them I think tend towards Chicago?

Mr. DEY. Yes, sir; five of them. The Illinois Central terminates at Chicago.

Senator PLATT. And the other four tend toward Saint Louis?

Mr. DEY. They connect with Saint Louis, but still the other four, to a certain extent, send a large portion of their business to Chicago by connecting lines.

Senator PLATT. Are you in Iowa really dependent upon Chicago as an intermediate shipping point between here and New York?

Mr. DEY. Yes, sir; it is the only shipping point we know much about.

Senator PLATT. You do not do much with Kansas City.

Mr. DEY. No, sir; nor with Saint Louis. We have some little business at Peoria in the shipment of grain, but three-fourths of our business goes to Chicago.

## DISCRIMINATIONS.

Senator PLATT. Does your experience as a railroad commissioner enable you to say whether you think the business men at different points in Iowa have equal facilities afforded to them?

Mr. DEY. I should think not.

Senator PLATT. How is it in Iowa City?

Mr. DEY. I can explain it by making a statement of facts. About two or three weeks ago they were carrying merchandise from Chicago here for 10 cents per hundred. We were paying for the same class of merchandise about 25 cents per hundred or 22 cents. We thought it an outrage, and there was a good deal of feeling about it, but I know the rate was too low here. I do not know but we were paying a fair rate for the merchandise we received there.

Senator PLATT. What do you call a fair rate?

Mr. DEY. A remunerative rate. Iowa City is 120 miles nearer Chicago than this place is.

Senator HARRIS. On the same line?

Mr. DEY. On the same line. It is about 360 miles from here to Chicago, and then 240 from Iowa City.

Senator PLATT. It is not a competing point?

Mr. DEY. No, sir.

Senator PLATT. Des Moines is a competing point, and it has several roads which bid for the Chicago or Des Moines business, as the case may be?

Mr. DEY. Yes, sir.

## REBATES AND DRAWBACKS.

Senator PLATT. Do you think that persons situated in similar instances, business men, get the same treatment from railroad companies in Iowa as to rates? In other words, do you think there are rebates and concessions given to favorite customers?

Mr. DEY. That may be so; I should not be surprised if it was, although it is a thing I do not know.

Senator PLATT. Do you think rebates ought to be allowed?

Mr. DEY. That is a question.

Senator PLATT. Except for the correction of overcharges?

Mr. DEY. I have thought a great deal over it. I do not know in what shape you would put it. There are times when I think a railroad ought to carry freight lower than at others. There are circumstances that I think will justify it.

Senator PLATT. Why should it not make its rate openly and boldly, and say what it is?

Mr. DEY. I know; but that, perhaps, will last but a short time. For instance, suppose there is a great amount of corn here that ought to be moved. They can put their rates down and make a rebate in this shape: "All corn shipped up to such a date we will carry for so much less than tariff rates." It is a thing that is done here every year, particularly when the railroads are doing nothing and they are anxious to keep their employes and men at work. I see no impropriety in it provided everybody is treated alike.

Senator PLATT. That is scarcely what we understand by rebates in common parlance.

The CHAIRMAN. That is a reduction of rates.

Mr. DEY. Your idea of rebates I understand to be this: If a man will ship all his goods with you, and ships such an amount, you will take them at such a figure; that is your idea.

Senator PLATT. My idea of a rebate is this: That while the railroad company pretends to maintain its schedule, it gives to certain individuals, or to everybody, if you please, a promise that if they will ship according to schedule rates they will pay back to them some portion of that charge.

Mr. DEY. You mean that is a public promise to anybody and everybody?

Senator PLATT. I never heard of it.

Senator HARRIS. Generally a secret promise.

Mr. DEY. If it is a secret promise I am opposed to it. I think it is wrong.

The CHAIRMAN. Would there be any object in calling it a rebate or dealing with it as such if it were made to everybody openly?

Mr. DEY. I suppose not.

The CHAIRMAN. It would take the shape simply of an announcement of a reduction of rates at the time being?

Mr. DEY. Yes, sir; a reduction of rates.

The CHAIRMAN. In other words, a change of rates?

Mr. DEY. A change of rates. I see no impropriety for reducing a rate for a specific time.

Senator PLATT. Under certain circumstances.

Mr. DEY. Under certain circumstances.

Senator PLATT. But you do not, if I understand it, believe that the railroad has any right to give to one man in the same business a lower

rate than to the others, except as it may cost less to do the business than for the one.

Mr. DEY. Yes, sir; that is my idea. That all men doing business should be treated alike.

#### PUBLIC FUNCTIONS OF RAILROADS.

Senator PLATT. Have you ever thought anything of the reason why a railroad company has, to some extent, public functions?

Mr. DEY. A railroad company cannot exist without it gets its life from the public. That is, from the State.

Senator PLATT. I find that judges often take the position that it is because the railroads have a right to exercise or are permitted to exercise the right of eminent domain.

Mr. DEY. That is it, I think. They exercise the right of eminent domain. A railroad could not be built without the power to exercise that right. In this State, however, it has been rarely used.

Senator PLATT. In other words, you think that if a set of men should acquire the right of way to build a railroad the State might still step in, if they were not chartered by or were not acting under the general law of the State, and forbid them exercising that right?

Mr. DEY. Yes, sir. I think that if they owned all the land it would not deprive the State of the control of the road.

Senator PLATT. It would not allow a man to build a road on his own land, on which he was to exercise the rights and duties of a common carrier?

Mr. DEY. If he attempts to exercise the duties of a common carrier, if he carries his own stuff from his quarry to his mill, or something of that kind, it would be different, but the very moment he does business for others it seems to me he comes under the control of the State.

Senator PLATT. That being so, the State ought to see that the railroad deals justly by the people and the public, if it can ascertain what is just?

Mr. DEY. Yes, sir; that is my idea, exactly.

Senator PLATT. You do not think the public would be satisfied if the Government should undertake to carry letters for a man who sent a great many of them at a less rate than it would the man who only sent a few, do you?

Mr. DEY. No, sir.

Senator PLATT. Where is the difference in principle, if the railroad is exercising the functions of the State in respect to transportation?

Mr. DEY. The Government very often delivers letters at less than it costs to handle them. It carries a great many letters that cost it a great deal more than the cost price, but in the aggregate it evens up. But I do not think you would want to apply that principle to railroading.

Senator PLATT. But the people would see the injustice pretty quickly if the Government should undertake to carry letters for one man at a less rate than for another?

Mr. DEY. Exactly; but if you carry a barrel of flour from here to New York it costs you a good deal more than it would to carry it from here to Davenport.

Senator PLATT. You do not think a railroad company ought to carry a barrel of flour to New York for me at a given price, and carry another to New York for you at a less price, do you?

Mr. DEY. No, sir; I do not.

DOCTRINE OF WHOLESALE AND RETAIL.

Senator PLATT. Then this doctrine of wholesaler and retailer does not come in except so far as the difference in expense modifies the charges?

Mr. DEY. That is all.

Senator HARRIS. Is not that difference in expense to be found purely in the terminal expenses?

Mr. DEY. Yes, sir.

TERMINAL EXPENSES KEPT SEPARATELY.

Senator HARRIS. Is there any reason why terminal charges could not be kept separate from the carrying?

Mr. DEY. I never knew that it had been; but I do not see any reason why those terminal charges should not be separated.

Senator HARRIS. With the exception of terminal expenses it costs no more to carry one car-load of the same weight and character of goods than to carry another car-load of the same weight and character of goods for the same distance.

Mr. DEY. No, sir.

The CHAIRMAN. You have said already, I believe, that the transportation companies should be entitled to a fair compensation for their services?

Mr. DEY. Yes, sir.

THE BASIS FOR COMPENSATION.

The CHAIRMAN. What do you take for a basis for that compensation, the cost of the article carried or the demand for it, or the cost of the road or the overcapitalization of the road?

Mr. DEY. That is a thing that I never have been wise enough to reach. The railways classify goods. They have a certain class of goods that they charge a higher rate for than they do for others. They are more valuable goods. They bear a higher rate of transportation. Cereals and most of the stuff we raise in this country have to be carried at reasonable figures or they cannot be moved. They ought to get such an aggregate from the variety of material they have to carry as to pay the cost of the whole business—I mean, to pay the cost of the service and a reasonable compensation on the value of the property.

The CHAIRMAN. The actual value, or what?

Mr. DEY. The actual value.

The CHAIRMAN. Not the amount of stock that is issued and the debt that roads owe, all taken together?

Mr. DEY. The actual value.

The CHAIRMAN. The actual value at the time, as near as it can be computed?

Mr. DEY. Yes, sir.

The CHAIRMAN. Without reference to the amount of watered stock that may have been thrown upon the public.

Mr. DEY. I am no advocate of the issuance of any more securities than is necessary for the building of a road.

The CHAIRMAN. As a matter of fact, in some localities there are more roads built than seem to be needed, are there not?

Mr. DEY. Yes, sir; we have all we need here, certainly.



## THE OVERBUILDING OF RAILROADS.

The CHAIRMAN. Where they have already all the roads necessary and parties come in and build another, and build it by all the tricks that are known to the railroad builders of these days, should the public take that road into account and undertake to sustain it, or should only the roads that have actual value be considered, and that new road be allowed to die out, if necessary, in the ordinary transaction of the business of the country?

Mr. DEY. I do not know. Here every man ships where he has a mind to. You cannot stop him. He does his business with any road that he is satisfied with. I do not know exactly how you could control that, if I understand your question.

The CHAIRMAN. Take the New York Central, for instance. Right alongside of it is the West Shore, which seems to be regarded by nearly everybody as an unnecessary road, not required in the interests of the business of the country. There is an effort on the part of the pools there to take it in and hold it up and divide the freight, so as to make them all pay. Is that right to the public?

Mr. DEY. My idea was that that was a matter purely of self-defense.

The CHAIRMAN. On the part of good roads?

Mr. DEY. On the part of good roads. Here is a road that there is no use for. It pays nothing to its stockholders or its bondholders. It does not pay its running expenses. I am familiar with the road you refer to. Now, that is the most dangerous element in the world in railroading, because such a road has nothing to pay, and it can carry for a nominal sum. So long as it carries cheaper than another road it gets business, and you cannot stop it.

## NECESSITY FOR NEW ROADS SHOULD BE SHOWN.

In the present state of the railroad system, if you could require parties before they built the road to show the necessity for it to some tribunal I think it would be wise.

The CHAIRMAN. You think if the Government had the power it would be doing right to create some Government authority which ought to say whether the road is needed or not?

Mr. DEY. I think the public would be better off; and I think the railroads certainly would be better off if every party building a new road were compelled to show that there was a necessity for it.

Senator PLATT. Is there any way we can reach that as a national matter?

Mr. DEY. I suppose you cannot. I suppose that would be done by State legislation.

## BUILDERS SHOULD DEMONSTRATE FINANCIAL CAPACITY.

The CHAIRMAN. You think it would be a good thing for the States to require parties who want to build a road to show that they have money to pay for it?

Mr. DEY. Yes, sir.

The CHAIRMAN. Instead of building them in the manner in which it is now done?

Mr. DEY. On credit? Yes, sir.

Senator HARRIS. In addition to requiring them to show the necessity for the road?

Mr. DEY. Yes, sir; in addition to the necessity.

Senator HARRIS. I believe Judge McDill referred to you as being familiar with the pool system so far as it affected your country out here. How many pools are there that affect your commerce.

#### POOLS IN IOWA.

Mr. DEY. There is a pool at Des Moines, one at Cedar Rapids, and one at Council Bluffs.

Senator HARRIS. What is your judgment as to the propriety of the existence of these pools?

Mr. DEY. I have always believed in them.

Senator HARRIS. Their object and effect is what?

Mr. DEY. Their object is to divide the business. For instance, in this city, as I understand it, the Rock Island road, out of this Des Moines pool, gets 40 per cent. of the business. This, I suppose, would be the percentage they would do if each road charged the same rates, and the business would naturally fall to them in that proportion. That is the theory on which they are formed—to divide the business so that each of the roads should have the business they would have if they all carried at the same rates.

Senator HARRIS. The pool contract being that each competing line shall charge the same rates?

Mr. DEY. Shall charge the same rates.

Senator HARRIS. How many competing lines have you from here to Chicago?

Mr. DEY. There are either five or six.

Senator PLATT. Are they all in the Des Moines pool?

Mr. DEY. Yes, sir. This gentleman says there are only four. I think there are five, however.

#### POOLS PREVENT COMPETITION.

Senator HARRIS. Before you had the pool these five lines were all competing for the business between here and Chicago?

Mr. DEY. Yes, sir.

Senator HARRIS. Upon a pool contract being entered into by the five lines, the competition ceases?

Mr. DEY. Yes, sir.

Senator HARRIS. Have all the companies adhered to the contract and carried it out?

Mr. DEY. Publicly they have. I do not suppose they have privately.

Senator HARRIS. Do you think the result of preventing that competition has been beneficial or injurious to the general public, including the railroads as well as every other interest in the community—agriculturists, consumers, producers, and all?

Mr. DEY. My idea is, to the general public it has been beneficial.

The CHAIRMAN. By the rates being put up?

Mr. DEY. By the rates being put up to a regular, uniform figure.

#### EFFECT OF THE POOLS IN IOWA.

The CHAIRMAN. As a matter of fact, when these pools were organized, what effect did they have upon rates; did they reduce them?

Mr. DEY. They reduced them from the former rates.

Senator PLATT. At the time of the organization of the pool, did they make rates less than they had been theretofore?

Mr. DEY. Not during the immediate conflict; but they were less than they had been some time before.

Senator PLATT. Did they organize the pool on the basis of then existing rates?

Mr. DEY. No; not exactly. They lowered some things and raised some things.

The CHAIRMAN. They made a new schedule?

Mr. DEY. Yes, sir.

Senator HARRIS. Taking the average of the schedule for the year previous, were the pool rates lower than that average?

Mr. DEY. Lower than the published rates; yes, sir.

Senator HARRIS. Taking that year as a basis, it was a benefit to the producer and to the consumer, because the rate was in the main lower?

Mr. DEY. Yes, sir. That is a pretty broad expression, and perhaps it is one that exception will be taken to, and I would like to explain myself a little. A wholesale merchant here carries a pretty large stock of goods. You get your railroads into a fight, and he is obliged to sell everything he has at the rates of transportation from the point he ships from. If rates are a great deal lower than they have been; it reduces the price on his entire stock, or he cannot compete with the men that are then receiving their goods.

Senator HARRIS. His competitor can bring the same article here for a good deal less money?

Mr. DEY. Yes, sir. The effect on the general business is, in my judgment, very injurious. While he may be getting in certain things at low rates, yet on what he has paid his full rates he is losing money.

#### LEGALIZATION OF POOLS.

Senator HARRIS. Do you think that pooling should be legalized?

Mr. DEY. I should think so; yes, sir.

Senator HARRIS. Do you think that, if legalized, the pooling contracts should be subjected to any governmental tribunal?

Mr. DEY. Yes, sir.

Senator HARRIS. And they should not be legalized, except when approved by such tribunal?

Mr. DEY. Not legalized until approved by them.

#### PUBLICITY OF RATES, WITH NOTICE OF CHANGE.

Senator HARRIS. Do you think that all railroad rates ought to be public?

Mr. DEY. Yes, sir.

Senator HARRIS. Do you think the transportation companies ought to be permitted to change them without a reasonable notice to the public?

Mr. DEY. I would give a notice to the public.

Senator HARRIS. About what length of notice would you think reasonable.

Mr. DEY. I should think a week's notice as good as a longer time.

Senator PLATT. I suppose the average man will agree with you that the pool is right, provided the rate is not kept above what is fair and reasonable. Now, what is the tendency of pooling? Is it to keep rates above what is fair and reasonable, or to keep them at what is fair and reasonable?

Mr. DEY. My impression is that the tendency in pooling is to keep

them about what is fair and reasonable, because when they get **above** that some railroad begins to cut.

Senator PLATT. So that you think the railroads, if they were disposed to practice extortion, could scarcely be able practically to do it under the operation of the pools.

Mr. DEY. No, sir; that is my idea.

The CHAIRMAN. These pools west of Chicago have been more stable than those east, have they not?

Mr. DEY. Yes, sir. Our western pools have had less breaks. There is one remark, perhaps, I might volunteer here. You asked the judge, and I do not remember whether he gave you a full answer. At least it occurred to me he did not. The question you asked was whether there was any dissatisfaction with the rates here?

#### CAUSE OF DES MOINES COMPLAINTS.

The CHAIRMAN. Any complaints against transportation companies?

Mr. DEY. Yes, sir. My answer would be that there is, and that there always will be; that it is impossible for it to be otherwise, because, when we look at our rates between this city and Chicago, where there is lake competition, we almost invariably compare them with the railway rates from Chicago to New York.

The CHAIRMAN. And there you think you are discriminated against?

Mr. DEY. We feel we are discriminated against. There are two reasons why the rates from Iowa to Chicago should be higher than the same mileage east. One is that there is water competition there, as perfect, almost, as can be made. The other is that the gradients of our roads in this State are much higher than they are east of Chicago. Many of the roads from Chicago to tide-water are almost without gradients. While we handle on our roads from 15 to 25 cars, they handle from 40 to 50 with the same power.

#### HIGHER COST OF OPERATING IN THE WEST.

Senator HARRIS. It costs you more to operate your roads than the others?

Mr. DEY. Yes, sir. The public, in dealing with this question, cannot take those things into consideration; at least, they do not, and it is not natural that they should.

The CHAIRMAN. They just look at the general facts?

Mr. DEY. Yes; they just look at the general facts. Another thing, they start in Chicago with full trains and run through with full trains. We start here and gather up our business. You may start a train at the Missouri River with merely a car, and when you get here it is filled up. There is a greater expense attending the same business, very much greater.

#### THE OBJECTIVE POINTS FOR WESTERN PRODUCTS.

Senator PLATT. I suppose the entire community here would like to see the freights between Chicago and New York come down?

Mr. DEY. Yes, sir. We are particularly interested in having low rates through. But we would like ours just as low.

Senator PLATT. If the rates from Chicago to New York come down to absolute cost, you cannot expect that the rates here will be put down to a like extent?

Mr. DEY. No; but we naturally feel that there is some element of unfair treatment in it.

Senator PLATT. I suppose that between great traffic points like Chicago and New York the rate would fairly be less per ton per mile than anywhere else?

Mr. DEY. It ought to be.

Senator PLATT. They ought not to push the matter of competition there down to a point where they carry for nothing, because if they do they cannot maintain the equilibrium between the traffic east and the traffic west?

Mr. DEY. No.

Senator PLATT. The western traffic has to pay too much to compensate for the fact that they are making nothing east?

Mr. DEY. If you could get at the principle, it would result in raising that rate some and bringing down the rate here, and still have a fair remuneration all around; but the difficulty is to get at that principle. We are interested always in the long haul. New York and London are really the objective points for a large portion of the produce we raise here. They fix the rates, and the lower the transportation is the better off we are.

The CHAIRMAN. You are more interested in cheap rates from here to New York or Boston, and then on to London for exportation, than you are on your local rates here in the community?

#### PERCENTAGES OF LOCAL AND THROUGH BUSINESS.

Mr. DEY. Certainly. From 18 to 24 per cent. is the extreme of our local business—that is, our business between the cities in the States. It has never exceeded, since we have had anything to do with it, 24 per cent., and it has never been lower than 18; and, say, 80 per cent. of our business has been what we would call through business, and the rates on that business is what we, as a State, are most interested in.

Senator PLATT. Where do through bills of lading begin to issue west of here for freight going east? Are they issued here at Des Moines?

Mr. DEY. They are issued at all stations to Chicago. As a general thing I do not think they are issued through, except possibly freight in line cars. But the bulk of our freight changes hands at Chicago. Chicago is the market we know.

#### INDEPENDENT SYSTEMS EAST AND WEST OF CHICAGO.

Senator PLATT. Then the Chicago, Rock Island and Pacific does not have to share the loss, if there is any, on the transportation east of Chicago?

Mr. DEY. No, sir. I understand our roads are entirely independent of eastern lines.

Senator PLATT. Then they are not affected by that, in any respect?

Mr. DEY. No, sir.

Senator PLATT. So that the question whether they charge fair rates is entirely independent of them?

Mr. DEY. Yes, sir.

The CHAIRMAN. Suppose a merchant in some town that is not a competing point between here and your eastern line buys goods in New York, can he not get a bill of lading right through to that point?

Mr. DEY. Yes, sir.

The CHAIRMAN. And that applies to all points in the State?

Mr. DEY. Yes, sir.

The CHAIRMAN. Without any discrimination on account of distance?

Mr. DEY. No, sir; the rate would be higher to those points.

The CHAIRMAN. To those non-competing points, although nearer to New York, the rates would be higher?

Mr. DEY. Yes, sir.

Senator PLATT. Kansas City gets freight on through bills of lading and sends freight on through bills of lading, does it not?

Mr. DEY. Yes, sir.

#### DISCRIMINATION AGAINST NON-COMPETITIVE POINTS.

The CHAIRMAN. Is there any reason why a man fifty miles east of here on a line of road should have to pay more for his freight brought from New York than a man in Des Moines?

Mr. DEY. That is a question I have thought of a good deal. Now, if this was a point where you had water competition, I could say that there was.

The CHAIRMAN. But you have none in the State?

Mr. DEY. But we have none in the State. Here is a line of railroad competing for that through business that we cannot control. It requires some inter-State authority to control it.

The CHAIRMAN. You think it ought to be controlled?

Mr. DEY. I think it ought to be controlled.

The CHAIRMAN. And so controlled that a man fifty miles nearer New York should ship his goods just as cheap as one at Des Moines?

#### GOVERNMENT CONTROL NEEDED.

Mr. DEY. There is some reason why that should be so; and one of the strongest reasons that has occurred to me is that it would tend to keep rates uniform. The very fact that you had to make all your stations on the line lower—not any higher on the short haul than the long (that is, what you are getting at)—would give stability. It has occurred to me that if you say that when a railroad breaks its rates it shall be compelled to break them at every point you will establish something like stable rates. If a railroad can make a fight at a competing point by keeping up its rates everywhere else it can do business without losing anything. As a matter of course, when they get into a fight it is a pretty serious business, and they are not going to do it if this rule were applied.

#### WESTERN PRODUCTS MOVABLE THROUGH LOW RATES.

Then there is another view of the case. Suppose you made all the traffic of the Union Pacific Railroad that travels through here going east pay the local rates from points in Iowa, you would put almost an embargo on the Nebraska and Kansas business.

Senator HARRIS. That is, if they paid the same rates per mile?

Mr. DEY. No; but the same rate from the western border of our State through to Chicago that we pay. They could not live. The railroad over there has got to get something for its services. This business that is brought to them in car-load lots, it seems to me, and in large amounts from the States west of us, ought to be able to go through here at lower rates than we pay, because, if you do not permit it, you get so high a rate on your western property that you cannot move it.

## COMPULSORY THROUGH BILLS OF LADING.

Senator PLATT. If we could compel railroads to issue bills of lading for through freight passing these traffic points, do you think it would be a good thing or not?

Mr. DEY. I think it would be a good thing.

Senator PLATT. If a man in Des Moines goes to New York and buys something to send to Des Moines is there any reason why he should not get a through bill of lading?

Mr. DEY. No, sir; there is no reason why he should not have a through bill of lading, and there is no reason why his contract there should not be rigidly enforced.

The CHAIRMAN. As a matter of fact, as I understood you awhile ago, he has a through bill of lading.

Mr. DEY. Yes, sir; we have a through bill of lading; but there is this difficulty between the eastern shippers in these matters: You take a bill of lading, and there will be a certain amount of goods that are shipped here.

## UNIFORM CLASSIFICATION.

The bill you will find subject to western classification. Now the classification of rates west of Chicago is very different from the classification of the rates east. A man may contract for 50 or 60 cents through to Chicago, subject to western transportation, and the western transportation may put a fourth-class article into the second class, and make a difference of ten cents a hundred above his written contract.

Senator PLATT. If a New York man buys grain from Des Moines, does he get a through bill of lading?

Mr. DEY. Not usually.

Senator PLATT. Why should he not have it?

Mr. DEY. He is entitled to it, of course, in one sense; but our traffic in most of those things is with Chicago, because you may send whatever you choose to Chicago and whatever amount, be it cattle, hogs, corn, or anything else, and you can draw against it the moment the bill is shipped; and if your credit is good it is honored before the delivery of the goods there. The bulk of our men in business have not the means to hold this stuff to a very great extent; and they buy here to-day and load it into the cars, take a bill of lading, and with the bill of lading send their draft on a commission man and their banker gives them credit here for the amount of the draft.

Senator PLATT. If there were any power to compel it, do you think it would be a good thing to have a uniform classification of goods throughout the United States?

Mr. DEY. That is beyond my knowledge; I do not know whether it would or not.

Senator PLATT. Is there any reason why goods should receive a different classification in one portion of the country from another?

Mr. DEY. I do not know of any. It is a subject I am ignorant about.

Senator PLATT. You would not pretend to say that there were reasons which existed which would or would not make it unjust?

Mr. DEY. I do not know any reason why those men should not think alike on all these subjects. It seems to me they ought to.

Senator PLATT. Especially along the lines where freight is moving?

Mr. DEY. Yes, sir; I think they ought to; but I do not know enough about it to give an intelligent opinion.

Senator PLATT. I do not know much about those things, but it strikes

one at first that there can be no intelligent reason given why it should cost a railroad company any more to carry grain from one section of the country than it does from another section of the country.

#### THE "JOINT WESTERN CLASSIFICATION."

Mr. DEY. The railroads doing business in Iowa are doing business under what is called the "joint western classification." That was submitted to us for approval. Without knowing fully the best method to get at it, the commissioners went to work and took all the bills of lading of the western roads for ten or fifteen years, taking our own State classification among the rest, and after examining them pretty carefully we concluded it was a better thing than we had had, and we approved of it as a proper classification. But since that time I have found that the classification on eastern roads was very different. It was gotten up upon a very different basis; but I do not know enough of the reasons why it is done in either case to say very much about it.

The CHAIRMAN. Unless there are good reasons for the difference it would be a good thing to have them all uniform, would it not?

Mr. DEY. It would be a very nice thing for the business world to have them uniform. It would be an admirable thing.

#### LONG AND SHORT HAUL.

Senator HARRIS. I do not know that I understood you in regard to that short haul, and therefore I will ask you this question: Do you think it would be wise and safe to the business public to prohibit by law a transportation company from charging more in the aggregate for a short than for a longer haul?

Mr. DEY. There are direct reasons, I think, on both sides of that question. I am a little in doubt as to the answer I would give to that. I have been a good deal doubtful whether it should or should not be done.

Senator HARRIS. You are still in doubt?

Mr. DEY. I am still in doubt.

With reference to the questions regarding rebates, I might add that it is evidently the intention of our law that each of these questions shall be dealt with in the light of surrounding circumstances. I will illustrate my position by a case that occurred here last winter. I may have forgotten some of the details, but the figures are near enough for illustration. During the latter part of December, 1884, the Union Pacific Railroad Company was short of coal at the eastern end of their road, and could not readily supply from their own mines. Owing to the extreme cold weather the demand in Iowa was also very great. They proposed to Mr. Couch, the general manager of the Colfax mines, to furnish them a supply for the winter. This he declined, but after making an arrangement for rebate with the Chicago, Rock Island and Pacific Railway Company, he made a contract for 2,000 cars at the rate of about ten car-loads per day until the total amount was delivered, the whole to be delivered within the year. He paid his miners for coal loaded on the cars \$1 per ton. The rate of the Chicago, Rock Island and Pacific road for haulage was \$1.25 per ton. His contract with the Union Pacific was \$2.25 per ton for the 2,000 car-loads, with not less than 16 nor more than 20 tons per car. The regular rate of haulage and the amount he paid his miners made the total amount he received, and left him nothing for his coal, supervision, interest on the plant,



and the profit on the business. The rebate was 25 cents per ton, provided the 2,000 cars were hauled during the year. The local and rival mines were not injured, because to a certain extent he had put his coal in a market not otherwise accessible to this coal field, and he to a certain extent was less a competitor for local business. By this contract he was enabled to work a force of miners and give them employment during the summer, when the entire demand for coal was for railroad or for manufacturing purposes, and when there was little profit. The Rock Island road was sure of a regular business ten cars per day, and could make arrangements to have its cars in this trade constantly employed. The Union Pacific received its coal cheaper during the immediate cold weather, and during the balance of the season at about what it would have cost them elsewhere. Mr. Couch paid the regular rate, and when his contract is filled during the year 1885, will receive his rebate of 25 cents per ton. I think in this case the miner by this rebate was benefited by the employment afforded him during the summer, the rival coal dealer by drawing Mr. Couch to a certain extent from the profitable winter market, the Union Pacific Railway by cheaper coal during a time of scarcity, the Rock Island by a regular business which otherwise they would have lost, and on which there was some profit, in addition to keeping employed at a station on its road miners a large portion of whose earnings were spent in supplies that furnished the road business. In other words, they were helping to build up and maintain a coal center. Mr. Couch was benefited by small profits in a large transaction which he had the sagacity to make and the means to carry out, his entire payment for interest on his plant, supervision, and profit being in the rebate. The railroad could do this work cheaper than it could for 2,000 men one car each per year. All parties offering the company coal in large amounts extending through an entire year should receive the same rebate, but it would be manifestly unjust to ask the railway company after hauling one car in the winter from Colfax to Omaha to pay the rebate.

### JAMES WATT'S STATEMENT.

JAMES WATT, wholesale grocer, and president of the Manufacturers and Jobbers' Association of Des Moines, Iowa, appeared and said :

We express our views in writing, and if preferred we will read what we have prepared in answer to the questions in your circular.

The CHAIRMAN. If you have a written paper we will hear it first, and ask you some questions after you conclude.

#### EXTORTION AND UNJUST DISCRIMINATION.

Mr. WATT. Question. The best method of preventing the practice of extortion and unjust discrimination by corporations engaged in interstate commerce.—Answer. By the appointment of State and national railroad commissions.

#### REASONABLENESS OF RATES.

Q. The reasonableness of the rates now charged by such corporations for local and through traffic.—A. They are unreasonable in many respects. For instance, in charging in some instances twice as much from Chicago westward as from the seaboard to Chicago, for, say, one-third the distance. Interstate rates are too high, effected largely by excess in Western over Eastern classification.

#### PUBLICITY OF RATES.

Q. Whether publicity of rates should be required by law; whether changes of rates without public notice should be prohibited, and the best method of securing

uniformity and stability of rates.—A. Publicity of rates should not be required by law. The public would not be benefited by such publication. Uniformity of rates could be maintained by a national classification.

#### MAXIMUM AND MINIMUM RATES.

Q. The advisability of establishing a system of maximum and minimum rates for the transportation of interstate commerce.—A. This should be regulated by a national commission, acting with State commissions.

#### ELEMENTS OF COST.

Q. The elements of cost, the conditions of business, and the other factors that should be considered in fixing the tariffs on interstate traffic.—A. These elements should be considered by the national commission.

#### REBATES AND DRAWBACKS.

Q. Should any system of rebates and drawbacks be allowed? If so, should such transactions be regulated by law and subject to official inspection and approval? Or should they be entirely prohibited?—A. Railroads should be permitted to grant rebates to heavy shippers.

#### POOLING.

Q. Should pooling contracts and agreements between railroads doing an interstate business be permitted, or should they be entirely prohibited by law? If they should be regulated by law, would it be sufficient to require the terms of such agreements to be made public, and subject to official approval?—A. They should be prohibited.

#### RIGHT TO SELECTION OF ROUTE.

Q. Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?—A. Yes.

#### UNIFORMITY OF RATES.

Q. By what method can a uniform system of rates for transportation of passengers and freights by all corporations engaged in interstate commerce be best secured?—A. By a national commission.

#### LONG AND SHORT HAUL.

Q. Should corporations engaged in interstate commerce be permitted to charge lower proportionate rate for a long than for a short haul? Does the public interest require any legislation on that subject?—A. They should be allowed to charge a lower proportionate rate for a long haul than for a short haul. Public interest does not require legislation on the subject.

#### CONCESSIONS TO LARGE SHIPPERS.

Q. Should any concessions in rates be allowed to large shippers, except such as represented the actual difference in the expense of handling large shipments over small shipments, and should such concessions be made known to the public?—A. Concessions should be allowed to large shippers. These concessions should not be made public.

#### UNIFORMITY OF ACCOUNTS.

Q. Should corporations engaged in interstate commerce be required to adopt a uniform system of accounts?—A. If deemed necessary by a national commission.

#### ANNUAL REPORTS.

Q. Is it desirable that such corporations should be required to make annual reports to the Government; if so, what information as to their earnings, expenses, and operations should reports contain?—A. Yes; full and complete reports to the commission.

#### WATER ROUTES.

Q. In making provision for securing cheap transportation, is it or is it not important that the Government should develop and maintain a system of water routes?—A. It is important that water routes should be maintained.

#### THE REMEDY—A COMMISSION.

Q. In what manner can legislation for the regulation of interstate commerce be best enforced? Should a commission or other special tribunal be established to carry out the provisions of any law Congress may enact?—A. By a national commission, selected largely in the interest of the producers in the agricultural States.

Senator HARRIS. The Manufacturers' and Jobbers' Association decide that concessions should be made to large over small shippers. Do you mean by that that a man who ships ten car-loads should get better terms per car, shipping from the same point to the same point over the same road, than the man who ships one load at the same time and over the same line of road and to the same point?

Mr. WATT. Yes, sir.

Senator HARRIS. For what reason?

Mr. WATT. We have various reasons; one is that the ten car-loads is a single transaction, whereas the other is divided. That is, to make an equal amount it would involve a great deal more labor at both ends of the line. Further, it is easier to make up the trains in the case of the large shipments. It is very difficult to make up trains of single cars. That difficulty is avoided.

Senator HARRIS. In what does the greater expense at both ends of the line consist, in the case I put, where one man ships ten cars and another man ships one car, at the same time, over the same roads, and to the same point?

#### THE CARLOAD AS THE UNIT.

Mr. WATT. I think the jobbers are in favor of a car-load unit. When it comes to less than car-loads, there is a material difference.

Senator HARRIS. I have spoken of car-loads. There may be a difference when the shipment is less than car-loads. But to recur to the car-load unit. Is there any reason why the man who ships the ten car-loads should get a better rate per car than the man who ships but one?

Mr. WATT. There is no difference aside from the difference of expense, or the advantage to the railroad company in handling the ten cars, and dealing with that man in that manner.

#### REBATES FAVORED TO LARGE SHIPPERS.

Senator HARRIS. You say that rebates should be allowed to large shippers?

Mr. WATT. Yes, sir.

Senator HARRIS. Do you mean that is the method by which you think these preferences should be given to large shippers over small ones?

Mr. WATT. I am not fully decided as to the method of giving the preferences. Individually I am in favor of an open advantage.

#### PUBLICITY NOT NECESSARY.

Senator HARRIS. I believe you also say in the paper you have presented that it is improper, or not necessary at least, to make rates public?

Mr. WATT. No, sir.

Senator HARRIS. Why should the rates of transportation not be made public?

Mr. WATT. It is not always to the interest of the people themselves to know the method of business.

Senator HARRIS. Do you not think it is to the interest of any man who has a bushel of grain to sell to know the rates under which he can put it in the market—to know what it will cost him to carry it to market?

Mr. WATT. Yes, sir; it is an advantage to intelligent men who under-

stand the transportation business; but there are so many people who do not.

Senator HARRIS. Would you not, in some measure, increase his intelligence by publishing the rates and letting him see exactly what it will cost him to put his products on the market?

Mr. WATT. It might, in some light, be considered the better way; but men frequently who are not instructed in these things argue from very small points. They do not comprehend it as men who are active in the business.

Senator HARRIS. Has it been the habit of transportation companies to grant drawbacks and rebates to shippers at this point?

Mr. WATT. Yes, sir.

#### DRAWBACKS AND REBATES IN DES MOINES.

Senator HARRIS. When they have indulged in granting rebates and drawbacks has it not been a discrimination in favor of one individual, as a general rule, as against other individuals engaged in the same business?

Mr. WATT. I think not.

Senator HARRIS. Do you think they have been granted to all shippers alike and equally?

Mr. WATT. Large and small? No, sir.

Senator HARRIS. Has the amount of rebate depended upon the amount of the goods shipped?

Mr. WATT. I do not think it has.

Senator HARRIS. If it is varied by the large shipper and the small shipper, it must depend upon the amount shipped, must it not?

#### SPECIAL RATES FOR JOBBERS.

Mr. WATT. Not necessarily so. It has been based here largely on the jobber and the retailer. Men who are recognized as jobbers had a special rate.

Senator HARRIS. How much lower than the rate extended to the retailers?

Mr. WATT. That has, of course, varied.

Senator HARRIS. At about how much lower?

Mr. WATT. I cannot answer that question.

Senator HARRIS. What business are you engaged in?

Mr. WATT. Wholesale grocer.

Senator HARRIS. Have you been in the habit of receiving rebates from your transportation companies?

Mr. WATT. Yes, sir.

Senator HARRIS. Have you known what rebates your neighbors, engaged in exactly the same trade as yours, have been in the habit of receiving?

Mr. WATT. No, sir.

Senator HARRIS. They have not known the extent of the rebates you have received?

Mr. WATT. Not that I know of.

#### PUBLICITY OF RATES.

Senator HARRIS. Would it not be much better to publish the rates, and let the whole world know exactly what you and your neighbors have to pay, and what everybody else has to pay?

Mr. WATT. Yes, sir; I individually always took that ground.

Senator PLATT. Of course, as long as it is possible, every man wants to get the best rebate he can?

Senator HARRIS. That has been the course of human nature generally, so far as you have known it in trade, has it not?

Mr. WATT. Yes, sir.

Senator HARRIS. If a man can get better rates than his neighbors, he wants them?

Mr. WATT. Yes, sir.

#### LONG AND SHORT HAUL.

Senator HARRIS. Upon that question of long and short haul, do you think it would be wise and proper to prohibit by law the transportation company charging more in the aggregate for a short haul over the same line of road going in the same direction than for a long haul? For instance, if the charge from Chicago to this place is \$40 for a common car-load; suppose the car-load is to be dropped 40 miles from here in the direction of Chicago; would it be right to prohibit charging a man who shipped to a point 40 miles from here in the direction of Chicago more than you are charged to bring the same car-load here, 40 miles farther?

Mr. WATT. Under like conditions I would say it would be wrong.

Senator HARRIS. My question was, would it be wise and proper to prohibit by law the transportation company from charging more for the short haul in that case than for the long haul?

Mr. WATT. Yes, sir; I think it would be wrong to charge it, if all the conditions were similar.

#### PROHIBITION OF POOLS.

Senator HARRIS. What do you think of the propriety of legalizing or prohibiting this pooling system which has become common in the last few years in a great many commercial cities?

Mr. WATT. We are opposed to pools, and think they should be prohibited by law.

Senator HARRIS. What is the reason of your opposition?

Mr. WATT. We think that it is contrary to business principles and fair competition. And we have another reason. I will illustrate it. We have five lines carrying freight to Des Moines, and they pool; there is only so much business for Des Moines; each of them has to have its share of that business. The charge has got to have made enough to make a reasonable dividend for all of them. They are very apt to charge a higher rate. They may bring in two or three roads more here, and they have all got to live, and they will pool also. We necessarily must pay more for freight—must have a higher rate.

Senator PLATT. You think it prevents fair competition?

Mr. WATT. Yes, sir. We are in favor of reasonable living rates to the railroads.

Senator HARRIS. Do you think it would be safe for Congress to authorize the railroad commission that you recommend to fix rates, or allow the transportation companies to fix the rates?

Mr. WATT. I would allow the transportation companies to fix rates, and only interfere when they were considered unreasonable.

Senator PLATT. That is the Iowa law, as I understand it, practically?

Mr. WATT. Yes, sir.

## UNIFORM CLASSIFICATION.

Senator HARRIS. Do you think it would be safe for the business of the community, and wise for Congress, to authorize and require the railroad commission to fix a classification to be uniform throughout the United States in the conduct of interstate commerce?

Mr. WATT. Yes, sir; we think that question of classification is one of the most important features of the whole business.

## UNIFORM BILL OF LADING.

Senator HARRIS. Do you think it would be wise and proper for Congress to require a uniform bill of lading throughout the United States?

Mr. WATT. Yes, sir.

Senator HARRIS. What power do you think ought to be given, in addition to the things that you have already mentioned, to the railroad commission, if one shall be created?

## POWERS OF NATIONAL COMMISSION.

Mr. WATT. We did not give that much thought. It is a deep study. We did not take time enough to elaborate the entire subject.

Senator HARRIS. Do you think it would be best to authorize it to investigate all complaints of wrong-doing upon the part of interstate common carriers, and report its conclusions to the common carrier complained of, and report the facts to Congress, or to pronounce final judgment, with power to execute and carry out its decisions as courts ordinarily do?

Mr. WATT. There may be difficulties in appointing a commission. The commission might be situated locally, and interested so that an injustice might be done to sections of the country; and in some cases it might be proper to have them refer to Congress.

## PUBLIC FEELING TOWARD RAILROADS.

Senator HARRIS. What do you understand the feeling to be in the State of Iowa, or that part of Iowa with which you are best acquainted, as between the people generally and transportation companies, especially railroad corporations?

Mr. WATT. Last year we had a very strong feeling against railroads, on account of excessive freight on produce to the East, which I think was justified.

Senator HARRIS. Was that feeling general throughout the community?

Mr. WATT. Yes, sir.

Senator HARRIS. You think the prejudice was justified?

Mr. WATT. Yes, sir.

Senator HARRIS. And why?

Mr. WATT. A bushel of corn here on these lines of road was worth at one time about 16 cents; and I think the railroads charged about 16 cents from here to Chicago, approximately speaking. It cost a bushel of corn to take a bushel there. It seemed unjust.

Senator HARRIS. Is that the chief ground of the prejudice of which you speak?

Mr. WATT. I think so; yes, sir; the excessive charge.

Senator PLATT. You said last year; has that changed?

Mr. WATT. It was changed. They made us a slight reduction, I think, of  $2\frac{1}{2}$  cents per 100. At that time, when corn was that cheap there was none moving. It was a complete embargo on the business of the West. The merchants could scarcely do anything. We could not get pay for our goods. When it was reduced even the  $2\frac{1}{2}$  cents, which we considered was about one-quarter of what they should reduce it under the circumstances, grain began to move and business began to move accordingly, and we felt the benefit.

Senator PLATT. Practically the business of Iowa is at the mercy of the railroads, if they choose to be oppressive, is it not?

Mr. WATT. Yes, sir; I think it is.

#### INTERESTS OF RAILROADS AND PEOPLE MUTUAL.

Senator PLATT. Do you not believe that the true interest of the railroads is to subserve the business interests of the people?

Mr. WATT. Yes, sir.

Senator PLATT. Do you believe they would make more money if they would try to fairly subserve the interests of the people?

Mr. WATT. Yes, sir; I think their interests are mutual.

The CHAIRMAN. You have the Mississippi River how far from here?

Mr. WATT. About 160 miles.

The CHAIRMAN. Is that any benefit to the people of Iowa?

#### MISSISSIPPI RIVER TOWNS FAVORED.

Mr. WATT. Not perceptibly; no, sir, I cannot perceive that it is here. I would say as to the business men in the business that I am engaged in that there is quite a difference in the rates east of the Mississippi and the rates from Des Moines. Our business takes on the Chicago rate. For instance, the rate to Chicago is 15 cents; our rate to Chicago is 30; our through rate to New York would be 45 cents. Now, Keokuk has a special direct rate. I do not know whether all the river towns have, but I think they have. They are not affected by their rate to Chicago. For instance, we will say the rate from New York to Chicago is 15 cents; the rate from Chicago to Keokuk is 20 cents. That makes 35. The direct rate from Keokuk to New York may be 20 cents, giving them an advantage of 10 or 15 cents per hundred over those situated in the interior.

The CHAIRMAN. How do they happen to get it? What is the reason?

Mr. WATT. I think it is due, perhaps, to competition. They used to have competition by their water route, which, perhaps, established that.

The CHAIRMAN. Have they got it yet?

Mr. WATT. They have got it; but I do not think it is used as much as it used to be, however. They still have the advantage of this, however.

Senator PLATT. Does any grain go South from the river points?

Mr. WATT. I was speaking of our business in shipping from the East.

The CHAIRMAN. As a matter of fact, substantially all the shipments of Iowa come straight through to Chicago and the East?

Mr. WATT. Yes, sir; it is nearly all Eastern business.

The CHAIRMAN. Some of it goes to Peoria, but it follows the lines of the east and west roads, ordinarily?

Mr. WATT. Yes; more than four-fifths of it.

Senator PLATT. Are the rates of your business the same from here to

New York that they are from New York here? Suppose a shipment should come out here from New York, and there should be some reason for returning it, would they carry it back at the same rate that they brought it westward?

Mr. WATT. I cannot answer that; I have no experience. I think they are the same. Is the rate from Des Moines the same as from New York here, Mr. Harbach?

Senator PLATT. On the same line of goods?

Mr. HARBACH. The same.

### LOUIS HARBACH'S STATEMENT.

LOUIS HARBACH, wholesale furniture and carpet merchant, appeared.

The CHAIRMAN. You have heard the statement of the other gentlemen here. Do you know any complaints against the transportation companies on account of the manner of doing business by them?

Mr. HARBACH. Some. If you will be kind enough to take them up as they come, I shall try to answer.

The CHAIRMAN. I will ask you some general questions. Within your knowledge has there been any discrimination shown by the railroads between men engaged in your business, or between men engaged in your business and between men engaged in any other business?

Mr. HARBACH. There has in former times; there is not just now.

### SPECIAL JOBBERS' AND MANUFACTURERS' RATES.

The CHAIRMAN. As a matter of fact, do all the members of your association that engage in wholesale business, jobbing, and manufacturing, get a concession below the price of transportation that is given to retail dealers?

Mr. HARBACH. There used to be a jobbers' rate published. That is, an open rate that every jobber could see at the offices of the different transportation lines, for all alike. This jobbers' and general manufacturers' rate was given for the express purpose by the railroad companies of building up the Western cities and manufacturing points. That rate was kept up for a number of years, until they misused it.

The CHAIRMAN. Who misused it?

Mr. HARBACH. The railroads.

The CHAIRMAN. How did the railroads misuse it?

Mr. HARBACH. They kept urging that this man ought to have a jobbers' rate, and the next man ought to have a jobbers' rate. Because they could not get every man's business for their respective lines, they would put in some opposition man of the same business under the jobbers' list until they finally killed it.

The CHAIRMAN. So that they got to giving jobbers' rates to the men who were not doing the jobbing business?

Mr. HARBACH. Yes, sir.

The CHAIRMAN. That resulted in its being abandoned?

Mr. HARBACH. Yes, sir.

The CHAIRMAN. Is it absolutely abandoned now?

Mr. HARBACH. It is.

The CHAIRMAN. Do you get your freight at the same rates, so far as you know, as any other merchant in town, whether he is a retailer or wholesale dealer?

Mr. HARBACH. They all have to pay a retail rate. The jobbers pay



the same rate now as the retailers. There is no difference in rate. The public is not benefited by it; the retailer is not benefited by it, and the jobber makes up the additional rates out of his profits.

The CHAIRMAN. As a matter of principle, do you believe that the jobber ought to have a lower rate of freight than the retail merchant?

#### REASONS FOR A JOBBERS' RATE.

Mr. HARBACH. I think he ought to.

The CHAIRMAN. Why?

Mr. HARBACH. In the first place he is far away from the seat of the market. The jobber has to carry his stock absolutely in his warehouse. If I am in Chicago, I can go out with \$25,000 and buy every article I want from the manufacturers and supply my customers with them. We do not have those manufacturers here. We must carry the capital right in the concern. If the jobber has to carry the capital and carry the stocks, he must have somewhere a benefit by which he is enabled to sell his goods as low as the competing jobber in Chicago or Saint Louis, or wherever he is located.

The CHAIRMAN. I am talking more especially about the jobber and retail merchant in Des Moines, for instance.

Senator PLATT. I understand the gentleman to say that it is for the benefit of the community that there should be a rate which would permit a jobbing-house to exist in Des Moines.

Mr. HARBACH. It builds up the cities and towns and manufacturing villages. We are young and have to grow. I heard a manufacturer in New York say, "I am now satisfied that I cannot do without a tariff. I can manufacture as well and as cheap as England can. But until I came to that point I had to have a tariff." We have to have aid from the railroads or else we cannot build up cities in the Western States.

#### SPECIAL RATES AID IN ESTABLISHING INDUSTRIES.

The CHAIRMAN. You think such a policy ought to be adopted as would enable you to build up this community as against others?

Mr. HARBACH. Yes, sir; that is, establishing a car-load unit.

The CHAIRMAN. Do the retail merchants of Des Moines feel that they are fairly treated when you get a lower rate than they get?

Mr. HARBACH. If they have the benefit of it, and can buy their goods in the same towns at the same price, adding the ordinary rate to it, by which they do not have to carry stock in store at too large an extent, and so save capital, I should think they ought to be satisfied with that.

Senator HARRIS. As a matter of fact, are they satisfied when they know you are getting a lower rate than they are?

Mr. HARBACH. That I cannot state, because the question has not been brought to my notice.

#### DISCRIMINATION.

The CHAIRMAN. Do you know whether the railroads discriminate in favor of one town as against another in this State?

Mr. HARBACH. They can do it. Take Des Moines, for instance. They have a pool. They must maintain a high rate in order to live. The loaf is small, and there have to be a good many slices to go around among them. But on their own lines, at local stations, they give a less rate than they will make to the best shipper in the pooling towns.

The CHAIRMAN. As a matter of fact, is it true that people living out at those non-competing points get their freight at a less rate than you do?

Mr. HARBACH. They can.

The CHAIRMAN. As a matter of fact, do they?

Mr. HARBACH. It has been so stated, that a large merchant at Atlantic, 90 miles west of here, can get a less rate than the merchant at Des Moines.

The CHAIRMAN. On account of the pools?

Mr. HARBACH. Yes, sir.

The CHAIRMAN. That is at the time of the existence of the pools?

Mr. HARBACH. Yes, sir.

#### PROHIBITION OF POOLING.

The CHAIRMAN. Do you think the pool ought to be absolutely prohibited?

Mr. HARBACH. Yes, sir; absolutely.

The CHAIRMAN. What does your city regard as a competing point? What is the point competing with it with reference to the transportation of freight?

Mr. HARBACH. The competing points are our river towns and Chicago and Saint Louis. The river towns have a better classification.

The CHAIRMAN. Why?

Mr. HARBACH. They are acting under what is called the "Middle State classification." A hundred pounds of freight from Cincinnati to Davenport is either 2 cents more or 2 cents less than from Davenport to Des Moines, and you all know it is 700 or 800 miles from Cincinnati to Davenport.

The CHAIRMAN. How far from here to Davenport?

Mr. HARBACH. One hundred and sixty miles.

The CHAIRMAN. That is due to a different classification?

Mr. HARBACH. Different classification and different rates.

The CHAIRMAN. Why is that difference of classification; because it is in a different pool system?

Mr. HARBACH. A different pool system in freights. I have shipped freight from the Middle States classification stations, and the moment it struck Iowa they added the local tariff to it.

The CHAIRMAN. If it is desired we should like to have a session tonight for the purpose of giving all an opportunity to be heard. I say that before gentlemen representing the agricultural interests go away. Have you thought anything about the kind of legislation that ought to be enacted by Congress, if any?

#### A NATIONAL COMMISSION WITH LARGE POWERS.

Mr. HARBACH. Create a national railroad commission, and give it supreme power to enforce its decisions on rates and classifications, or whatever they should decide on. I believe the fewer the judges the better the judgment.

The CHAIRMAN. A commission clothed with absolute power to enter judgment would become a court, under our Constitution, and the members would be established for life. Would you be in favor of that kind of an institution?

Mr. HARBACH. No, sir.

The CHAIRMAN. Would you be satisfied with the establishment of

, commission with power to examine the schedules of the railroads and transportation companies, and with power to examine into all complaints that would come before them, and to announce their judgment and report the facts; and if the railroad or transportation company did not abide by their judgment, provide that suit might be brought, and make their findings *prima facie* evidence of correctness in court? Would that be sufficient?

Mr. HARBACH. That would perhaps be the best way; I should think so.

The CHAIRMAN. That is about as far as you could go without making a tribunal in the nature of a court, appointed for life.

#### REBATES AND DRAWBACKS.

Now, is there any system of rebates carried on here? I do not mean concessions to jobbers or anything of that sort; but have the transportation companies been in the habit, so far as you know, of privately paying to one a rebate and not to all?

Mr. HARBACH. Under the jobbers' rates they billed everything at local rates; that is, at retail rates; and they paid back the difference between the jobbers' and the retailers' rate. That was the rebate that was paid.

The CHAIRMAN. That was the way the arrangement existed some time ago; but it does not exist now?

Mr. HARBACH. No; it was an agreed rate before, but now it is a pool rate.

The CHAIRMAN. Is there any system of rebates being carried on now?

Mr. HARBACH. I do not think so.

The CHAIRMAN. Would you be in favor of any law that would prohibit the payment of rebates?

Mr. HARBACH. I think the big shipper should have a special rate over the small shipper. If a man comes in and wants \$1,000 worth of goods in my business I try to hold him and sell at a less profit than to the man who wants \$100 worth of goods.

The CHAIRMAN. That does not affect the question of rebates in the sense that I desire your attention to it. It has been said in several places where we have been, and was said yesterday in Saint Louis, that they had been carrying on a system of paying rebates quietly in this way. A shipper comes in and says: "I want to ship some goods over your line; but I can get it done cheaper on another." The agent says, "You ship the goods over my line and I will privately pay you a rebate, and make it all right." Sometimes it is alleged that that is done with one individual and not done with another. Is that right?

Mr. HARBACH. It is not.

The CHAIRMAN. Ought that to be prohibited by statute?

Mr. HARBACH. That ought to be prohibited; but I think the question of rebate can only be reached by quantity. Let the railroad company decide what they consider a large shipment, 100 car-loads or 1,000 car-loads. Let them decide who should be entitled to a rebate on quantity.

The CHAIRMAN. Who should decide?

Mr. HARBACH. The railroad company; or the commission should or could say that the man who purchases a hundred cars or five hundred cars of merchandise shall be entitled to such a rebate.

The CHAIRMAN. You would not be in favor of any law, then, that

would prevent either the railroad or a commission from having latitude enough in the law, or under the law, to say whether you, if you shipped one hundred cars, should not have a preference in the rate per car over the man who only shipped one or fifteen?

Mr. HARBACH. As I fortunately live in Iowa I should look at my interest from the Iowa standpoint—that the quantity buyer should have a rebate.

The CHAIRMAN. He should have a less rate; there is no necessity for calling it a rebate.

Mr. HARBACH. A less rate.

The CHAIRMAN. If the law authorizes him to have a less rate, there would be no occasion to have any rebate to it in the way of making out a bill of lading at one rate and then paying a part of it back.

Mr. HARBACH. A lower rate, a less rate?

The CHAIRMAN. A lower rate of transportation is what you believe the jobber ought to have over the retail shipper.

Mr. HARBACH. Yes, sir; it does not come out of the public or the retail shipper, but comes out of the profit of the railroad companies. It has been demonstrated here. Our retail rate is 75 cents for first class. When they dropped the jobbers' rate they adopted 75 cents for everybody. Nobody was benefited by it, certainly. It was done at the expense of the jobber. He has to pay so much more for his freight.

Senator PLATT. Do they all pay it?

Mr. HARBACH. They all pay it; yes, sir. If the railroad companies, in their pooling interest, would reduce the rate like they do from Chicago to New York or from New York to Chicago, and make a similar rate, considering the operating expenses of managing these Western roads, it would, of course, be different.

The CHAIRMAN. You think, in order to sustain yourselves and the gentlemen who are engaged in jobbing in Des Moines, you must be allowed a less rate than a retail shipper gets, in order to carry on your business?

Mr. HARBACH. It should be a car-load quantity rate.

Senator PLATT. You would not go so far as to say that the largest shipper should have a lower rate than a smaller shipper.

Mr. HARBACH. As far as that goes they all have about a uniform rate among the jobbers, whether the shipper be a larger or smaller jobber. He sends his traveling men on the road to sell merchandise and gets the uniform rate among the jobbers.

Senator HARRIS. Suppose a retail merchant here, doing business to the amount of \$1,000,000 a year, and on the other hand a jobber doing a business of \$750,000 a year. Do you think the jobber in that case should have a lower rate than the retail merchant who ships more goods in the market than he?

Mr. HARBACH. That may never occur; so there is no use to answer that question. I cannot answer it.

Senator HARRIS. Mr. Stewart, of New York, was a retail dealer.

Mr. HARBACH. But at the city of manufacture and at the city of merchandise we have got to lower the stock in store in order to sell it. We cannot go out to our neighbors and say, "I want so much of your goods." We have got to carry stocks to sell.

Senator HARRIS. Suppose a retail merchant here in Des Moines carried as heavy a stock as a jobber, or as one of the smaller jobbers, I will say. He had as much money in it, and carried hardly as heavy a stock, and did as large a business. Now, is there any reason why the jobber doing business in the same town should have a lower rate of

eight than the retail merchant who did exactly the same amount of business, or a larger business?

Mr. HARBACH. Yes, sir. The retailer would ask more profit for his goods. And such a state of things never can happen; or at least I never heard of such a case, that there were more goods in a retail house and more sold by retailers than by a jobber, who actually pretended to be a jobber. I never heard of a parallel case. I do not believe there is one in existence to-day in the United States.

Senator HARRIS. I suppose I could show you a good many in the cities of Saint Louis and Chicago.

Mr. HARBACH. They have jobbing houses connected with their houses, then. You mentioned Alexander T. Stewart. Their jobbing business was immense. I have a retail house myself, and my retail house is just as large as my jobbing house; and the two make up quite a large business.

#### ONE MAN BOTH RETAILER AND JOBBER.

Senator HARRIS. You are a jobber and a retailer also?

Mr. HARBACH. Yes, sir.

Senator HARRIS. Being a jobber and a retailer, did you not get all of the goods (when you had that special rate) that went into your retail house as well as into your wholesale house, at the same low rate?

Mr. HARBACH. Yes, sir.

Senator HARRIS. Then was that a fair competition with your neighbor retailer, who had to pay a higher rate?

Mr. HARBACH. I carry on my jobbing business in a separate building, keep a separate class of men, and pay a separate tax on my retail trade.

Senator HARRIS. But you do not pay a special freight rate?

Mr. HARBACH. No, sir; I have a right to sell to myself. That is the fortune I have.

The CHAIRMAN. It is your luck.

Mr. HARBACH. It is my luck. There are other jobbers in the same boat.

Senator HARRIS. And practicing the same advantage?

Mr. HARBACH. Why should they not have that advantage; if, by doing away with the special jobber's rate, the public should benefit by it 1 cent, I would say do away with it; but the public is not benefited by it. The profit goes into the pockets of the railroad companies themselves.

Senator PLATT. Your idea is this: it is for the benefit of all those in their section to make Des Moines a jobbing point.

#### ADVANTAGE OF LOCAL JOBBING CENTERS.

Mr. HARBACH. I do not say Des Moines; I would say Des Moines, Kansas City, and all Western towns that are in just the same fix as we are here.

Senator HARRIS. You think it is an advantage to the country that you should have jobbing towns out here rather than to have all the business of this section done with the Chicago and Eastern points?

Mr. HARBACH. Most decidedly, for the advantage of the local points.

Senator PLATT. For the producer and consumer and everybody else?

Mr. HARBACH. Yes, sir; for everybody.

Senator PLATT. That it should be built up as a wholesale center?

Mr. HARBACH. Yes, sir.

Senator PLATT. And, to do that, you have to have some concession, or the Saint Louis or Chicago merchants can come here and get the trade away from them?

Mr. HARBACH. Yes, sir; we have to have some concession from the railroad companies or the Chicago merchants come here and take the trade away.

The CHAIRMAN. You would have no merchants except the retail concerns?

Mr. HARBACH. It would break down the jobbing interests of the West, and the manufacturing interest; which, in their infancy, would be crippled.

Senator PLATT. You believe the whole community would be benefited by possessing those institutions here?

Mr. HARBACH. By possessing those institutions.

The CHAIRMAN. Is there anything else you would like to say?

Mr. HARBACH. Our president talks about the pool interest.

#### POOLING.

The CHAIRMAN. I believe you expressed yourself as being against the system?

Mr. HARBACH. Yes, sir; if the national commission would maintain a national tariff and classification, subject, however, to the different railroads' operating expenses, it would be better than pooling.

The CHAIRMAN. You think a commission ought to be established, and you have no objection to the prohibition of rebates?

Mr. HARBACH. We recognize the fact that it costs twice as much—not twice as much, but a great deal more—to operate a railroad in Iowa than in Indiana; but we also know that a railroad in Iowa costs half as much to build as one there. Public loans and subsidies, and one thing with another, besides having very little rock to cut through, account for this. If you take into consideration the population along the line, the local traffic which is daily increasing, I do not see why we should pay the same rates to-day we paid twenty years ago.

The CHAIRMAN. You think you are paying too high; still you do not know whether they are paying too low east of Chicago?

Mr. HARBACH. If it was too low those railroads east of Chicago have always held their own, and have paid their interest. Their stocks have always been high, and they must have been paying down there. If the Western railroads keep on watering their stocks, and want to earn dividends on such stock as that, of course they have to maintain a high tariff.

The CHAIRMAN. You think that your rates are too high, as a matter of fact, from here to Chicago?

Mr. HARBACH. Seventy-five cents per hundred for first class, and so on down, is too high in comparison with rates from Chicago to New York.

#### J. D. SEEBERGER'S STATEMENT.

J. D. SEEBERGER, wholesale hardware dealer, of Des Moines, appeared.

The CHAIRMAN. You have heard these other two gentlemen of your association. Is there anything additional that you wish to state? In the first place, do you indorse what they say?

Mr. SEEBERGER. Yes, sir; I think I can largely indorse what they say.

## POOLING.

I wanted to refer to this pool interest as being decidedly objectionable.

The CHAIRMAN. You are against the whole system?

Mr. SEEBERGER. Yes, sir.

The CHAIRMAN. What are your reasons for that?

Mr. SEEBERGER. I will say, in explanation of that, that the pool system operates very much against the interest of our town locally. The reasons are these: After a demoralization of rates, which usually occurs after a fight among the railroads, they come to the conclusion that they must organize a pool or advance the rates. The pool means to advance the rates almost invariably; and just as soon as that is accomplished we are fixed, as far as that pool is concerned. We have no redress whatever, but have to submit to it. At Chicago they ship goods to Kansas City and Omaha and other points at much less rates than to Des Moines; and we find that the merchants of Omaha can come away over beyond the line of their territory and into the territory that legitimately belongs to us, and undersell us. Naturally we feel that there is a reasonable boundary that we are entitled to, not wishing to encroach, and do the business of the whole world, as some of our sister cities do. We feel that there is a certain area around us to which we are entitled, as far as we merit it, and, therefore, we think the pool system operates against us very much.

The CHAIRMAN. You think you would get the business of that territory if the pool system were abolished?

Mr. SEEBERGER. Yes, sir.

The CHAIRMAN. The pool system exists, affecting all the roads leading to Chicago, does it not?

Mr. SEEBERGER. Yes, sir.

The CHAIRMAN. It has been stated, I believe, by one of the gentlemen, that transportation from Chicago to Iowa City is higher than it is to this point. In that case it operates in your favor, does it not?

Mr. SEEBERGER. I wanted to say that when Mr. Dey explained that they were much displeased at paying 25 cents when we had 10 cent-rate, it was during a period of difficulty between the lines themselves. That is, what they ordinarily call a fight. They cut the rate to Des Moines 10 cents and put the rates there to what they evidently had been before. So that has nothing to do with the general proposition.

The CHAIRMAN. Is there any other point you wish to speak of?

## UNIFORM CLASSIFICATION.

Mr. SEEBERGER. In regard to classification. We recognize an injustice in the classification west of Chicago. In the first place it has been explained that the rate is very much higher in proportion to the distance from Chicago to Des Moines, or any other important Western point, than from Chicago to the seaboard. Added to that comes the question of a higher classification. Goods leaving the sea-board cities and getting to Chicago are examined, and the classification is raised higher than they are at the initial points. Therefore we feel that it cuts like a two-edged sword. It is not alone a higher classification, but a higher rate in proportion to the distance. In that sense we feel that there is a reason for complaint.

The CHAIRMAN. What would you think of a law of Congress that would require a classification that should be uniform all over the country?

Mr. SEEBERGER. The uniform classification is much to be desired.

The CHAIRMAN. For interstate commerce?

Mr. SEEBERGER. Yes, sir.

#### A NATIONAL COMMISSION.

The CHAIRMAN. What is your judgment of the best mode of curing the evils that exist relating to interstate commerce?

Mr. SEEBERGER. That is a difficult problem. It had been suggested that the commissioner system would be the best one; and it seems reasonable that, according to the working of the commission in this State, it might operate successfully in an enlarged sphere. It would have to be tried.

The CHAIRMAN. You have been here some years?

Mr. SEEBERGER. Yes, sir.

The CHAIRMAN. You lived here before you had any commission, or any law on the subject, probably, and have lived here ever since?

Mr. SEEBERGER. Yes, sir.

The CHAIRMAN. Has the power and influence of the Iowa commission been of public utility to the people of the State, in exercising whatever control they had over the transportation companies?

Mr. SEEBERGER. I am not advised as to its detailed workings at all; but I have been informed from sources that it has accomplished much good in the way of adjusting difficulties between private individuals and railroads; but so far as their influence upon rates is concerned, I cannot state.

The CHAIRMAN. You do not know whether they have actually accomplished a reduction of the rates or not?

Mr. SEEBERGER. No, sir; I cannot say.

The CHAIRMAN. But they have been the means of settling a good many difficulties between the corporations and the citizens?

Mr. SEEBERGER. Yes, sir.

Senator HARRIS. Have or have not the rates been reduced since the passage of your commission law, or your regulating act, and the creation of a commission?

Mr. SEEBERGER. I cannot say that they have. We have been subjected to changes, a great deal owing to continued rivalries between the roads, in cutting rates down very low, and then going to the other extreme and bringing them up.

The CHAIRMAN. The commission has been in existence seven years?

Mr. SEEBERGER. I believe it has. I am not sure.

Senator HARRIS. Compare the rates of the last seven years with the rates of the preceding seven years. Have they been lower or higher, better or worse?

Mr. SEEBERGER. I will say this: During the time when Des Moines had but one railroad, the Rock Island, the heavy shippers were better accommodated than they have been at any time since. When the matter was presented to them as to the necessity of a reasonable rate in order to get manufacturing parties here or the necessity of the wholesale dealers having better rates, they have invariably yielded to that demand to a reasonable extent. I think it is the experience of the average shipper of eight or ten years ago that the rates averaged lower than they have since. I do not mean to say by that that their schedule rates were lower. They were probably not lower. But the disposition to protect the interests of the jobbers and manufacturers was greater than it has been since.



The CHAIRMAN. This was a new country, and they were trying to build it up?

Mr. SEEBERGER. I suppose that was it, as a matter of fact; yes, sir.

The CHAIRMAN. If Mr. Ainsworth, secretary of the association, is present, we will hear him.

Mr. AINSWORTH. It will hardly be necessary for me to add anything to what the other gentlemen have stated. They have been over the ground completely.

### H. A. NOBLE'S STATEMENT.

H. A. NOBLE, manufacturer of barbed wire, appeared.

The CHAIRMAN. Have you any complaints against the railroad companies of this country, or do you know of any?

Mr. NOBLE. I prefer to answer any direct questions.

The CHAIRMAN. That is pretty direct, is it not?

Mr. NOBLE. Yes, sir; most too direct.

The CHAIRMAN. This committee is anxious to find out if there is any wrongdoing on the part of the transportation companies that ought to be prohibited.

Mr. NOBLE. Personally, I do not know that I know of any.

The CHAIRMAN. Do you know any, in a general way?

Mr. NOBLE. There always will be complaints, I suppose.

The CHAIRMAN. Is the business of the railroad companies of this country, so far as you have had any knowledge of them, carried on just as you think it ought to be?

Mr. NOBLE. Not at all times, perhaps.

The CHAIRMAN. What are the particular modes of doing business that ought to be changed?

Mr. NOBLE. I do not know that I am competent to say.

### A NATIONAL COMMISSION.

The CHAIRMAN. Do you think any legislation ought to be enacted by Congress on the subject?

Mr. NOBLE. A national commission might be of a great deal of service.

The CHAIRMAN. What service could it render, if there is nothing the matter?

Mr. NOBLE. It would be a sort of board of arbitration, the same as our State has, in dealing with interstate commerce.

The CHAIRMAN. Had your board been of any public utility?

Mr. NOBLE. That I am not posted about. As a board of arbitration between the railroads and the people I suppose it has been.

The CHAIRMAN. You think that for the control of interstate commerce a national board ought to be created?

Mr. NOBLE. I think it might be of service.

### POOLING.

The CHAIRMAN. Have you any definite idea of what the provisions of the law ought to be? Should pooling be prohibited?

Mr. NOBLE. That I am not competent to say. I should think that a national commission might be more dangerous with too much power than with too little.

The CHAIRMAN. I am not asking whether we should give the commission power to prohibit, but whether it would be best to prohibit pooling by law.

Mr. NOBLE. I would not think it would be best.

#### REBATES—PUBLICITY OF RATES.

The CHAIRMAN. Would you prohibit the payment of rebates?

Mr. NOBLE. No; I think not.

The CHAIRMAN. Would you require the publicity of rates?

Mr. NOBLE. That, I think, we have already.

The CHAIRMAN. We have no law of Congress on that subject?

Mr. NOBLE. No, sir.

The CHAIRMAN. You have a law in this State, perhaps. Do you mean that the rates are given to the world now?

Mr. NOBLE. The railroads profess to give the rates to the world now, as we understand it.

The CHAIRMAN. Within your knowledge, do they give one rate and charge another?

Mr. NOBLE. I think it has been done; yes, sir.

The CHAIRMAN. Do you think it ought to be done?

Mr. NOBLE. There are cases, perhaps, where it would be better to do so.

The CHAIRMAN. Cases where it would be better to give one rate and charge another?

Mr. NOBLE. Better for the interest of all concerned; for the railroad particularly.

The CHAIRMAN. Do you think that has encouraged wrong-dealing between man and man?

Mr. NOBLE. I think it is done in all trades.

The CHAIRMAN. Is there anything further you think of that you would like to talk about in connection with the subject?

#### THE UNIT OF TRANSPORTATION.

Mr. NOBLE. I do not know that there is. I think that the unit should be a car-load rate.

The CHAIRMAN. Why should a car-load be the unit of shipment?

Mr. NOBLE. I do not know that you should give a greater rebate on more than a car-load than you could on a car-load; but when you come to less than a car-load, I think it is certainly more expensive to handle.

The CHAIRMAN. What did you say was the reason you think a car-load should be the unit?

Mr. NOBLE. Because it does not cost proportionately very much less for more than a car-load—for two or three car-loads—than it does for one.

The CHAIRMAN. You think that every man who has a car-load to ship should have just the same rate as any other man who has ten or twenty or one hundred?

Mr. NOBLE. Yes, sir.

The CHAIRMAN. There should be no difference per car?

Mr. NOBLE. Make a car a unit. Of course there are times when a man goes to a railroad and proposes to ship five hundred cars. It is quite a temptation for the railroad to make some concession.

Senator PLATT. Should that unit apply to all kinds of business?

Mr. NOBLE. I should say so.

Senator PLATT. To dry goods?

Mr. NOBLE. Yes, sir; I should say if a retailer wanted to buy a car-load he should have it as cheap as any other.

Senator PLATT. The secretary of the Kansas City Board of Trade argued before us very forcibly yesterday that there could be no unit; that there must be different units according to the classes of goods that were shipped; that in some the unit should be 100 pounds, and in some it should be a ton; and in some it should be a car-load. Have you thought of that?

Mr. NOBLE. I had not. I have never been used to handling any but heavy freights, and perhaps would not be a judge as to that.

#### L. F. PARKER'S STATEMENT.

L. F. PARKER, secretary of the Board of Trade of Davenport, Iowa, appeared.

The CHAIRMAN. You have come a long distance, and we will hear you now. You reside at Davenport, do you?

Mr. PARKER. Yes, sir.

The CHAIRMAN. What is your position there?

Mr. PARKER. I am secretary of the board of trade.

The CHAIRMAN. You have been listening to the general run of the discussion here on the part of the committee, as well as of the gentlemen who have been giving their views. We would be glad to hear you now in your own way on the subject.

Mr. PARKER. I do not know that I can add anything to the suggestions which have been made. That is, in regard to special matters of discrimination, of rates, &c.

The CHAIRMAN. Do you know of any complaints against the transportation companies of the country?

#### GENERAL GROUNDS OF COMPLAINTS.

Mr. PARKER. I have not made it a point to look into any special grounds of transportation complaints. The only grounds that I have really given much attention to are those general grounds of complaints that are somewhat universal in this country. Especially one that has been suggested here, that the railroad companies are in control of the country and have the power to do with us just as they see fit in the matter of transportation rates. That I have thought was perhaps both contrary to the best interests of the people, and in a sense, if it could be made plain, contrary to the best interest of the railroad companies themselves. It has been, and is my opinion, that there can be laws that shall regulate freight matters, that will work to the benefit of the people, in securing to them just and equitable and certain rates at all times, and that also shall secure railroad companies from that class of competition which is making most of the trouble, especially that competition which requires pooling. I refer to the building of new roads where they are not required, which necessitates making a division of business, and which results inevitably in increasing the expense to the producer and consumer.

The CHAIRMAN. You say that railroads have substantially the possession of the country. Do you mean by that that they are controlling legislative business?

Mr. PARKER. No, sir; I do not mean that. I mean in the sense that

has been explained to you by our Des Moines friend. For instance, one of them suggests that fifteen or twenty years ago, when there was only the Rock Island road here, they were treated better, and the rates were better and more to their satisfaction than they are to-day. Now they have here at least, I think, eight roads, as has been stated before you; and they had formerly competition that put rates down to below paying rates. But the railroads, in pursuance of their own interests, have pooled; and as their testimony would show, in doing that they have put the rates so that they are not as favorable to the people of this community as they were when there was but one road. That one or three roads, perhaps, could do all the business of this country is probably true. And I believe there is perhaps no necessity for more.

#### WHO BUILT WESTERN ROADS.

The CHAIRMAN. Do you know how these roads came to be built?

Mr. PARKER. I understand that they were built partly by the people and partly by those who are interested in securing trade for other roads already in existence; partly by the people, with a view to competition, and the expectation that the rates would be reduced, as they were for a short time.

The CHAIRMAN. Have the people of Iowa, and the different municipalities and townships and cities, been in the habit of voting money for the construction of these various roads?

Mr. PARKER. They have; yes, sir.

The CHAIRMAN. And the money is there and spent.

Mr. PARKER. It is in the railroads. It has never been paid back, and the people of Iowa own but very little stock in the railroads as the result of it. Although they put millions in, I think the amount now owned is very small. I hardly dare state exactly what it is. I think about a million dollars, if I recollect right.

The CHAIRMAN. Some large sums have been voted by the different localities for the construction of these roads?

Mr. PARKER. Yes, sir; as well as a large sum which has been given for the construction of roads by Government.

The CHAIRMAN. As subsidies?

Mr. PARKER. Yes, sir; lands.

The CHAIRMAN. There are none of these roads that have been built in the nature of local roads in the State that have not been encouraged by the people themselves?

Mr. PARKER. I think not. I have lived here for a third of a century. Before there were any roads here I was here, and I have watched them somewhat closely.

The CHAIRMAN. Can you indicate the specific condition here, so as to let us know what the grounds of complaint are against the management of these roads?

#### A FRIENDLY COMPLAINT.

Mr. PARKER. I would not myself indicate any complaint except a friendly one. It is a fact that all the roads that lead into the State of Iowa are paying roads. They are paying large dividends, and their stock is above par. The rates, as compared with Eastern rates, or as compared with general averages, are very high. We are often paying, for instance, from the river towns, as much to Chicago as they do from Chicago to New York. - Almost invariably it will amount to two-fifths

of the sum. The difference is often larger. In fact, it even exceeds the amount. Our rates in the State of Iowa are now very nearly the same as they have been for the last twelve or fifteen years, as I think a gentleman from Des Moines stated, while the general averages of freight have gone down.

The CHAIRMAN. You think the sentiment of the people is that they are at the mercy of the railroads?

Mr. PARKER. I think so.

#### TOO HIGH LOCAL RATES IN IOWA.

The CHAIRMAN. Do you think that the further sentiment of the people is that the railroads are not giving them as low rates as they ought to?

Mr. PARKER. That would be my view, from my observation—that the people consider that they are paying too high for the work they are having done.

The CHAIRMAN. I suppose the railroads claim that that is not so, and that they are merely getting fair rates?

Mr. PARKER. Yes, sir; they do.

The CHAIRMAN. Is there any water in the stocks of these railroads?

Mr. PARKER. I think there is in most of them. There is supposed to be. I have not examined the matter myself in detail so closely as I would if I were on oath, so that I could testify there was.

#### ATTEMPTS TO SHOW PROPER MANAGEMENT.

The CHAIRMAN. Did you ever know of a railroad taking any pains, by public print or otherwise, to reach the people and try to convince them that their rates were reasonable after all, and were not too high?

Mr. PARKER. I have known of such instances; yes, sir. I suppose it came directly from the railroad company.

The CHAIRMAN. Do they do that generally, or is their general attitude one of saying nothing?

Mr. PARKER. I think that is their general attitude; yes, sir. There are special cases. I know of one particular instance.

The CHAIRMAN. If the railroad companies believe that they are only getting fair and remunerative rates, would it not be a good thing, in some way or other, for them to meet the people half way and try to discuss the question with them in that view?

Mr. PARKER. It looks to me as if that would be a very good plan, and that it would be a plan they would adopt if they thought they could do it. The instance I spoke of I will mention. There was some discussion in the papers in regard to the question. There was an argument put forth at the time in favor of the railroad companies, that I was informed and believed came directly from their offices, in which they made a statement in regard to their rates. The suggestion was in the discussion through the newspapers, that the rates had not been lowered in a great number of years. This argument went on to show that the rates had been lowered from 3.16 cents per ton a mile to about 1.20 cents per ton per mile.

The CHAIRMAN. The average rate?

Mr. PARKER. Yes, sir; and that amounted to a great number of millions of dollars of saving to the people. That they had done of their own free will and accord, and without compulsion. But the fact still remained that the rate in the State of Iowa and the special rates were

just about the same, but they did it by carrying freights across the State of Iowa in competition from some other point.

The CHAIRMAN. They were calculating upon the average freights on their road?

Mr. PARKER. Yes, sir.

The CHAIRMAN. The thing I was trying to get at was this: The railroad companies, I suppose, will claim that they are getting a reasonable return on their investments or on the property of their stockholders; the community think they are getting an unreasonable return, and that creates a very dangerous feeling on the part of the community towards the railroads. Now, perhaps each of them are a little out of line. Why would it not be a good thing for railroad managers to meet the public half way and discuss this matter, if they have confidence in their position?

Mr. PARKER. I do not know but it might be a good thing, although those discussions seldom result in anything.

The CHAIRMAN. You do not think such a conflicting sentiment is a good thing for the community, do you?

Mr. PARKER. I think it would be better if it could be reconciled on a proper basis.

#### TAXATION OF RAILROADS.

The CHAIRMAN. Do the railroads pay a tax to the State? I intended to ask that of the railroad commissioners.

Mr. PARKER. They do.

The CHAIRMAN. How much is that tax?

Mr. PARKER. I really cannot state myself.

Senator PLATT. Mr. McDill can probably tell us.

Mr. McDILL. Last year I think it was nearly eight hundred thousand dollars.

The CHAIRMAN. Is it a fixed percentage of the earnings?

Mr. PARKER. Their report that is made annually to the executive council gives the gross earnings per mile, and upon that an assessment per mile is made by the executive council, which includes the rolling stock, equipment, and everything; and then the number of miles in each county are certified to the counties, and the ordinary taxes are levied from that assessment.

The CHAIRMAN. What is the rate of taxation? What principle is it based upon?

Mr. PARKER. There is an assessment made, based upon the gross earnings, and then the levies are made just as other taxes are made. So many mills for State purposes, and so many mills for county and school and road taxes, and so on.

The CHAIRMAN. How much does it amount to, approximately, on the gross earnings of the road? Can you state that, or does it vary with different roads?

#### RATE OF TAXATION OF RAILROADS.

Mr. PARKER. It varies somewhat with different roads, although, by reason of the classification, naturally the paying roads are assessed higher, and the roads that do not pay so well are assessed lower. My recollection is, and some gentlemen here may correct me if I am wrong, that the assessment on the best road in this coming year was at the rate of \$12,000 per mile.

The CHAIRMAN. What levy was made on that assessment?

Mr. PARKER. That changes in localities. For instance, the county tax is different in different counties, and the bridge tax is different. The State tax is the same; two and a half mills. As far as cities are concerned they are taxed just as individuals are. There is no difference.

#### POWER TO FIX RATES.

Senator PLATT. Common carriers, under the common law, have a right to fix tolls, have they not? I am not speaking of railroads, but of other common carriers. They are not restricted by law in the fixing of their rates?

Mr. PARKER. I suppose they were, by the common law.

Senator PLATT. Except to this extent, that the rates must be reasonable and they must be equal; that is the common law. Now if railroad companies claim the privilege of common carriers to fix the rates, they must comply with the common law, must they not, and fix reasonable rates, and afford equal facilities to all?

Mr. PARKER. It would seem so.

#### THE DUTY OF CONGRESS AS TO RATE-MAKING.

Senator PLATT. And if there is well-grounded cause of complaint in this country that the railroad companies do not do so, is it not the duty of Congress to step in in some way and say that they must do it?

Mr. PARKER. I should say that it was.

Senator PLATT. The difficulty is how to accomplish that result, is it not?

Mr. PARKER. Yes, that is the problem.

Senator PLATT. Have you any specific ideas as to how that can be best reached?

Mr. PARKER. I have heretofore expressed some opinions in regard to it, especially in regard to the State law. Without going into any details I will simply make the statement that from all the observation I can make in regard to railroads, taking all the views of them that come before me (as I have given the matter some study), I have not been able to see that there is any insurmountable or even serious objection to the General Government passing a law regulating interstate commerce to the extent of its power to do so.

#### MAXIMUM RATES.

I speak of regulating by fixing a maximum rate, above which the railroads shall not go. I do not say that this rate should be, or that it would be either politic or desirable that the rates should be, cut down so that their profits should be at first any less than they are to-day. But I do say that it should be a fixed rate, on some plan that could be devised. If a plan can be devised that can be found to cover that ground, it should be made uniform and so that it can be easily comprehended by any one capable of comprehending common business; and so that it can be, if desirable, easily changed. That is, changed by the addition or subtraction of a simple percentage upon the principle that has already been fixed as a rule to govern the matter. In order to get what seems to be desirable—which is higher rates for short distances and lower rates per ton per mile—it is necessary to devise some plan (while it is simple, and while it can be easily comprehended, and while a young man of ordinary comprehension can, when given the distance and the amount

of freight, state the amount or cost of it, no matter what it is or where it is) that will serve this purpose of a sliding scale, and run through in a uniform way so that it will be satisfactory.

#### A PLAN FOR COMPUTING RATES.

In looking that matter up, it occurred to me that that could be done by fixing a rate at the starting point of the freight. That is, the handling and storage, or whatever you choose to call the rate.

Senator PLATT. A terminal charge?

Mr. PARKER. A terminal charge. So, for the purpose of getting the idea into a few words, I took, for instance, the terminal charge of 5 cents per hundred pounds of freight, or for instance we will call it class A on the terminal charge. That would be \$1 a ton. I put that on all freights on all distances over 10 miles, and reduce it a little for shorter distances. In addition to that, for the purpose of getting at the idea, I put upon all freights a half a mill per 100 pounds per mile. That, of course, would be \$1 a ton; or in other words, it would be \$1 a ton up to 100 miles. It would be just equal to the terminal charge. In other words, at 100 miles it would be \$2 per ton; \$1 for terminal charges and \$1 for mileage rate. That followed out for long distances might carry it low enough, or it might not.

Senator PLATT. Would you put, for the next 100 miles, the same rate?

Mr. PARKER. That is an open question, whether it would be advisable to reduce it and give a ratio after the first 100 miles for each 100 miles or to carry it on. The result of that would be that the rate of freight for 500 miles would be 30 cents per 100, and at 1,000 miles it would be 55 cents per 100; at 2,000 miles it would be \$1.10 per 100. You take the present rates on our leading roads and you will find that that will come very near their averages, carrying it through in just that way, without any change.

It would be a very simple matter to lessen the entire rate, if you please, on all distances after 100 miles; so much each 100 miles, say, 5 per cent. On the first 100 miles at the rate I speak of, on the next 100 miles 5 per cent less, and on the next 5 per cent. still less, and so on down, or at any other figure. That would make it still simpler. Then, taking that as a central basis, I work out from that, of course, my per cent. For instance, the first class would be double that, perhaps, and the second class once and a half that much, and so on; and then other classes less than that according to the class. And so, by percentage, you could get at the cost of freight.

In order to get at the rate, then, the only point is to give the distance and the class of freight, and figure it out at that rate and you have the result at once. That, of course, can be the case for a certain class of roads. You have half a dozen classes of roads, according to their earnings and cost of operating. Taking into consideration those two points, the earnings and operation, you could gauge your classes of rates upon them.

Senator PLATT. If I understand your plan, it diminishes the cost for the long distance by distributing the terminal charge over the long distance?

Mr. PARKER. That is what it does, exactly. There is a percentage taken off.

Senator PLATT. You have been studying the subject enough to say whether, in addition to that, you would make a percentage reduction on the rate per mile after the first 200 or 300 miles?



Mr. PARKER. I think it would be desirable to make some percentage reduction.

Senator PLATT. Ought it not to be possible for a railroad expert, who has no interest except to find out what is fair, to work out what would be right and fair in relation to the reduction of the rate per ton per mile, according to distances?

Mr. PARKER. I think so. I would not, of course, go to the extent of saying that I could work it out justly, for I am not certainly an expert that could do it.

Senator PLATT. Do you think somebody can do it on a fair principle?

Mr. PARKER. I should say that by taking that plan and giving good honest work to it, a railroad expert, who is familiar with all the details of railroad business, could work out a system that would do no considerable injustice to the railroads and would be in the interest of the people.

#### NOTICE OF CHANGE OF RATES.

Senator PLATT. That is to be a maximum rate. Would you have any minimum rate, or would you let the railroads get as much as they pleased, or as competition would permit?

Mr. PARKER. No, sir; I would make that the fixed, definite rate, except that I would allow railroads to reduce their rate by giving a certain notice—short notice if you please—and having it operate on all portions of the road alike; and also giving notice of a return to the old rate. Take Chicago to Buffalo, where, during the summer season, the lake route is carrying grain at  $1\frac{1}{2}$  cents a bushel, as it was doing last year. I heard a gentleman tell in Washington, at the convention there, that the average had only been  $1\frac{1}{4}$  cents a bushel during the season. While they were doing that I would give the railroads along that route a chance to put their rates down to suit that condition of things, and, by giving notice, serve all alike. I would do that everywhere, but only by doing it that way.

#### THE WHOLESALE AND RETAIL PRINCIPLE.

This question of larger amounts, of course, can be regulated by rule as well as by any other way, if it is desirable to give a discount on a certain number of car-lots or car-loads. That can be easily done by making a per cent. on a certain number of car-loads. There is certainly a difference; I thought, in listening to the suggestions that were made here, that there are really more reasons than were suggested for the difference. In my opinion the securing of a large number of customers is somewhat expensive to a railroad company as well as to a merchant, and there is something in that; how much, I would not undertake to say at all, but I think there is some reason for making the distinction.

Senator PLATT. Before we leave that idea, with reference to fixing rates, I would say that I think in the West you do not suffer from railroads cutting rates to a point which is unremunerative, but at the East railroad men and business men agree that railroads have cut rates to a not only unremunerative point, but it has reached a point where, if continued during a year or eighteen months, will make the railroads bankrupt all through the East. Do you think, in view of that fact, that there should be anything done to prevent ruinous competition between railroads?

## COMPETITION AND POOLS RENDERED UNNECESSARY.

Mr. PARKER. What I have suggested here, it seems to me, if it means anything, means doing away with competition entirely. It means doing away with pooling. It means doing away with railroad wars in every sense of the word. It would leave railroads free to carry such freight as they could secure. It would give to the people a knowledge of what they had to pay for freight.

Senator PLATT. You make a fixed rate. You say you would allow the railroads, under certain circumstances, to make a reduction; but how are you going to arrange, where there are four or five competing roads, to make them all give the same reduction?

Mr. PARKER. They will all do it naturally.

Senator PLATT. It is not what they have been doing of late. They have been cutting one another's throats as fast as they could by cutting under, at the East.

Mr. PARKER. That is a suggestion as far as that is concerned. It is not a necessary part of the plan of operation at all, that they should not be allowed to cut in that way. It would be necessary to leave a margin there in cases of water competition in the summer season, or something of that kind, so that the railroads would have their fair share of business.

## THE MISSISSIPPI RIVER AND IOWA.

Senator PLATT. As you live at Davenport, I want to ask you whether the river transportation has much influence on the freights from here to Chicago?

Mr. PARKER. No very considerable influence upon it.

Senator PLATT. Is there much shipment of grain by river to New Orleans from points on the east border of Iowa?

Mr. PARKER. There is some, of course, all of the time, but there is not a very large amount. The shipments are controlled by the railroads pretty largely. They have fixed their rates in such a manner that they secure all the freight from the center of the State for Eastern markets.

Senator PLATT. Instead of the water transportation fixing the rates at those points, as is usually the case, the railroads fix the water transportation?

Mr. PARKER. That is to a great extent true, for the reason that the four railroads that terminate in Chicago (I cannot say about this Wabash road; I presume they carry to the river to a considerable extent)—all roads that go to Chicago try to manage to fix their rates so as to secure through freights for the long haul from Chicago.

## BRIDGES BETWEEN IOWA AND ILLINOIS.

Senator PLATT. How many bridges are there on the Mississippi River between Iowa and Illinois, do you think?

Mr. PARKER. I think six.

Senator PLATT. Are those bridges operated separately from the railroads, or is there a separate charge for freight over those bridges?

Mr. PARKER. There is in some cases, I think. There is on our bridge, but still it does not make it's appearance except in the case of other roads besides the Rock Island. The Chicago, Burlington and Quincy, and the Milwaukee and Saint Paul pay a toll when they ship across, which is fixed at \$3 a car.

Senator PLATT. These bridges that are owned by the railroads form a part of the railroad property?

Mr. PARKER. Except the Rock Island. That was built by the Government, and the Rock Island Railroad paid a part of it and has the privilege of using it free; but they have the privilege of charging a toll to the other roads crossing.

Senator PLATT. We were told at Saint Louis that all freight coming east to Saint Louis is billed only to East Saint Louis. When they get it over to Saint Louis there is a separate bill charged. So with trade going west of Saint Louis. It amounts to \$5 more a car of grain going across the bridge. There is nothing of that sort with your bridges, is there?

Mr. PARKER. I think they do manage to work in a charge there on the bridge for freights. I am not quite familiar with it.

Senator PLATT. That is, a greater rate per mile than over the other portions of the road?

Mr. PARKER. On the coal, for instance, that they bring from Illinois to Davenport they manage to work in a charge of about \$5 a car; that is, \$3 for allowing it to cross the bridge and \$1 for switching on each side. I think that is the figuring.

The CHAIRMAN. I believe you have already expressed yourself as in favor of Congressional legislation?

Mr. PARKER. Yes, sir.

The CHAIRMAN. And you think such legislation should be had as would cure the evils that are complained of by the people against corporations?

Mr. PARKER. Yes, sir.

The CHAIRMAN. You have already given your view of what the legislation should be, I believe?

Mr. PARKER. I gave it to the committee.

#### UTILITY OF WATERWAYS.

The CHAIRMAN. What is your judgment in relation to the influence of water-ways over inland or railroad transportation roads; are they of any public utility?

Mr. PARKER. They are of great public utility where they are in the right direction.

The CHAIRMAN. In what direction ought they to be?

Mr. PARKER. In the line of commerce, whatever that might be.

The CHAIRMAN. The line of commerce in this locality and in the northern half of Iowa is almost directly east and west.

Mr. PARKER. Almost entirely.

The CHAIRMAN. Towards Chicago?

Mr. PARKER. Yes, sir.

#### THE HENNEPIN CANAL.

The CHAIRMAN. What would you think about the question of the Government undertaking to build the Hennepin Canal, as it is commonly termed?

Mr. PARKER. I think it would be the most judicious expenditure of the age.

The CHAIRMAN. I wish you would give us your general view on that subject; give your reasons for that declaration.

Mr. PARKER. I think it would influence and affect the cost of transportation to a remarkable extent. The reason for that is this: Calling the State of Illinois (the dry land between the waters of the Mississippi and those of the Illinois River) a portage to the lakes, and the amount of freight which passes between the two points being simply enormous, and the rate now being charged for 180 miles being almost, if not quite, equal to that charged a thousand miles where there is water carriage beyond, the effect likely to result from that would be in figures perfectly astounding, and out of all comparison with the trifling cost of the canal.

The CHAIRMAN. Your idea being that there should be a canal constructed between those two rivers from some point, say at Rock Island, on the Mississippi?

Mr. PARKER. Making a connection between the river and the land.

The CHAIRMAN. Making a connection with the lakes at Chicago.

Mr. PARKER. At Chicago.

The CHAIRMAN. Are you familiar with what has been done by the Government in reference to that matter?

Mr. PARKER. Yes, sir; I suppose I am, in a general sense, familiar with it.

The CHAIRMAN. What is the distance between the two rivers where the canal is proposed to be constructed?

Mr. PARKER. About 30 miles, I think, by the Rock Island route.

The CHAIRMAN. Do you remember now what would be the cut, the elevation, at the highest point of land between the two points?

Mr. PARKER. I cannot at this moment tell; I do not remember the number of locks.

Senator PLATT. Can you tell us the actual grain rate from Davenport to Chicago now?

Mr. PARKER. I cannot state the actual rate at this time.

Senator PLATT. Approximately, how much is it?

Mr. PARKER. I have not kept track of it so as to be able to say. I had no time, after seeing the request to come here, to post myself in regard to it, and I have not attempted to do so.

Senator PLATT. What is the distance from Davenport to Chicago?

Mr. PARKER. One hundred and eighty miles.

#### IOWA'S INTEREST IN HENNEPIN CANAL.

The CHAIRMAN. What portion of the country would be benefited most directly by the construction of the Hennepin Canal?

Mr. PARKER. I have never hesitated to admit that the State of Iowa would be benefited more by the canal than any other State of the Union. I have heard that contradicted, however, some saying the State of Illinois; and a gentleman in the State of Connecticut said the State of Connecticut would be. But I have still persisted in my view that the State of Iowa would be first; and the far western portion, the northwest, would follow very closely in final results.

The CHAIRMAN. Reaching up to the headwaters of the Missouri and the Mississippi?

Mr. PARKER. Yes, sir; I think so, necessarily.

The CHAIRMAN. And taking in all the country that has anything to be shipped in a westerly direction?

Mr. PARKER. Yes, sir.

The CHAIRMAN. And everything that comes east would be affected?

Mr. PARKER. I would go still further than that, and say that although the benefit would be very small to the northwestern portion of the country and the further South in proportion, yet in view of the opinion given by railroad experts in regard to the effect of the Erie Canal, I have no doubt in my mind that there would be a large benefit, in the freight rates, from almost all the entire length of the Lower Mississippi River to the East for cotton or anything else that seeks the Eastern market. The fact that there was a route here that it could go by at a lower rate, although farther around, would affect the rate.

The CHAIRMAN. Would it not affect the interest of the consuming people of the eastern portion of our own country, and the shippers of breadstuffs, and people in foreign nations as well?

Mr. PARKER. It certainly would.

The CHAIRMAN. So that you regard it as a national enterprise?

Mr. PARKER. I do, decidedly.

The CHAIRMAN. And that it ought to be carried out to completion?

Mr. PARKER. I can even see a benefit to those who are entirely away from it, because of its cheapening the products to foreign countries, enabling us to make larger shipments, with the consequent benefit to the entire country from whatever increases exports and produces the balance of trade in our favor.

The CHAIRMAN. Referring to the agricultural and manufacturing interests of the country, is it not your opinion that every means should be resorted to that is consistent with the condition of the Government and the provisions of the Constitution to cheapen transportation?

Mr. PARKER. I think that is, perhaps next to maintaining its own existence, the most important function of our Government, namely, that of securing the best facilities of transportation and of interchanging commodities for the people of the whole country.

The CHAIRMAN. Not only of this country but of all other countries?

Mr. PARKER. Of all other countries besides this. Certainly it contributes to it.

#### A NATIONAL COMMISSION WITH POWER.

The CHAIRMAN. Is there any other point you wish to speak of?

Mr. PARKER. There is perhaps one suggestion I would hardly feel that I had done justice to myself if I did not make, although perhaps it is not necessary in the view of a great many. I see there is quite a uniform tendency to place the railroad question in the hands of a commission. I am very strongly of the opinion that commissioners may well be appointed to take some part in the execution of the Government laws; but a commission as the sole arbitrator between the people and the railroad companies, allowing the railroad companies, as has been suggested here, to fix their own rates without power in the hands of the commission to curtail them, it strikes me is not desirable. But they can take a place in carrying out laws made by the Government.

The CHAIRMAN. So that if a commission could be created by act of Congress you think they ought to have some absolute power?

#### EFFECT OF PROPOSED LEGISLATION.

Mr. PARKER. I think so. I would like to add just this one suggestion: My views on this question are not in any sense antagonistic to the railroads. I do not mean them to be taken as such. I would go to

the extent of placing the rates so high that the railroads would secure on an average as much income as they do to-day. But I conceive that these definite laws will be in the interest of not only the people and the railroads themselves, but more especially in the interests of the stockholders of the railroads, whose interests are not always brought to the front as much as they ought to be. Without saying that the management of the roads now is seriously in that direction, or saying anything about it, yet it is possible, under the present system, for a railroad management to carry all the profits of a railroad into the hands of themselves and their friends, by a system of rebates and special rates, &c., or to those to whom they choose to give a preference. But this plan of having fixed rates will entirely take it out of their hands.

The CHAIRMAN. It will prevent their doing that?

Mr. PARKER. It will prevent their doing that, and stop their getting anything but what belongs to them unless they get the money in some other way. For that reason, if for no other, I have considered it an important thing to do.

Senator HARRIS. I understand you to suggest a basis of calculation by which fair and reasonable rates, taking into consideration the various distances, might be approximated or arrived at. Is it your opinion that any uniform rate could be justly applied to all the roads engaged in interstate commerce, without regard to the cost of the road and the cost of operating the road, the cost necessarily differing? Some roads cost \$30,000 a mile, and others a higher amount.

Mr. PARKER. I suggested that it should be with reference to the cost of operating the road and the receipts of the road. I would classify the roads, and the receipts should be therefore corresponding.

Mr. DEY. Are the rates at Davenport and Rock Island the same to Chicago?

Mr. PARKER. I do not know that I can answer that.

Mr. DEY. I supposed they were, but I thought from your answer that you intimated that they were not.

Mr. PARKER. I am not clear in regard to that matter. It may be with reference to other roads besides the Rock Island. I think, however, the Rock Island charges more to Rock Island than to Davenport or Moline.

Senator PLATT. Do you know what the rate is from Davenport to Chicago on grain?

Mr. DEY. No, sir; I do not.

Senator PLATT. How many roads with a terminus at Omaha, and doing a through business to Chicago, do you think would be required to do the business if they were taxed to their reasonable capacity?

Mr. DEY. I think one would do the business without any trouble at all, but two certainly would.

Senator PLATT. The question of a railroad's capacity is one that has been scarcely determined in this country; but two, at any rate, would be able to do all the business, and do it properly, you think?

Mr. PARKER. Yes, sir.

The CHAIRMAN. We are very anxious that the agricultural gentlemen who are here attending to some business connected with their State association will allow us to hear them before they leave the city, and therefore the committee is willing to suit the convenience of these gentlemen. The gentlemen of the city here I presume we can get in the morning or during the day.

The committee then adjourned until 9 o'clock a. m., June 20, 1885.

• DES MOINES, IOWA, *June 20, 1885.*

The committee met at 9 a. m. pursuant to adjournment.

The CHAIRMAN. I think it was announced that the agricultural gentlemen would be heard first this morning. Have you any arrangement among yourselves as to who shall be first heard?

Mr. PARKER. I handed to your secretary some papers, among them a bill in regard to the regulation of freights that I drew up at the session of our legislature a year and a half ago, and some other papers that I wish to have embodied in my statement.

The CHAIRMAN. If he has them we will take occasion to look at them.

### WILLIAM T. SMITH'S STATEMENT.

WILLIAM T. SMITH, stock raiser, of Oskaloosa, president of the Iowa State Agricultural Society, appeared.

The CHAIRMAN. You reside in this State?

Mr. SMITH. I reside at Oskaloosa, Iowa.

The CHAIRMAN. Are you engaged in agriculture?

Mr. SMITH. Yes, sir.

The CHAIRMAN. You were here all day yesterday, I believe, listening to the general discussion of this subject. Will you tell us what you think about it generally; whether there are any complaints here on the part of farmers and agricultural people, and what they are, and what, in your judgment, would be the remedy for the evils complained of?

### RATES BASED ON WATERED STOCK—TAXATION ON COST.

Mr. SMITH. I have not had time to look over this circular lately. I received it some time ago, but have not had an opportunity to look the matter up. As was stated yesterday, there has been more or less conflict in opinion between the patrons of the railroads and the railroads. My idea is that more of that complaint is based on this proposition: Our people, as a people, I understand are very willing to allow a merchant a reasonable profit on his business, and they are perfectly willing to allow railroads a reasonable and good profit upon their investments, providing their investments are of such a character as they should be. But the real trouble I think arises out of this fact, that the people understand thoroughly that the stocks of these railroads are watered, and that they are demanding a profit upon the watered stocks as well as upon the real cost of the road. My own opinion is that so long as that state of affairs exists there always will be more or less trouble.

While that is true, on the other hand the railroads, for the purpose of getting compensation for their business, estimate it upon these watered stocks; but when they come to be taxed they want to have their values estimated upon the real cost of the article. That makes two extremes, one against the people and one in favor of themselves. I think so long as that state of affairs exists so long there will be trouble, more or less, in the minds of the people.

The CHAIRMAN. In your experience and observation, has there been extortion practiced by transportation companies upon the farmers of the State? I inquire with reference more especially to interstate commerce, as we have no jurisdiction over State commerce.

Mr. SMITH. To some extent, yes, there has been; and certainly the impression prevails to a considerable extent that it exists.

## LONG AND SHORT HAUL.

The CHAIRMAN. That they are charged too much for the shipments of their stock and grain from here to Chicago or from here to New York?

Mr. SMITH. Yes, sir; mostly from here to Chicago. And our people are not reconciled to the idea that it is proper for a railroad to charge more for hauling goods from Chicago to Iowa City, 150 miles east of here, than it does to Des Moines.

The CHAIRMAN. They do not see how that can be right?

Mr. SMITH. Perhaps they would not take exception to being charged the same amount, but when it comes to charging an excess for a shorter haul over a longer haul they cannot be convinced that it is reasonable.

The CHAIRMAN. The difference probably is still greater between Chicago and New York, as your products go that way to the seaboard, than between the two points from here to Chicago.

Mr. SMITH. Yes, sir. Then again, when you compare rates from Chicago to New York they, of course, make comparisons that are prejudicial to the railroads.

The CHAIRMAN. Shipments through Chicago from your people to New York go at the low rate that is alleged, and you get the benefit of it, do you not?

Mr. SMITH. We may or may not get the benefit of that. That depends, as was suggested here yesterday, upon whether or not they are losing upon that business and want to make it up on the Western trade.

The CHAIRMAN. You think, then, that if a reasonable charge for the transportation of your products from here to Chicago and from there to New York were made, and those charges were made upon the basis of the actual value of the railroad properties, and if the charges were equalized as between here and Chicago and Chicago and New York, there would be no complaint, do you?

Mr. SMITH. I certainly think so. That has been my theory of the case.

The CHAIRMAN. But your people feel that they are charged more at this end of the line from Chicago to this point, or from this point to Chicago, than they are from there on, and that there are discriminations between points here in the State and between here and Chicago.

Mr. SMITH. Yes, sir; that is one of the principal grounds of complaint in the State of Iowa, so far as I see.

## PUBLIC SENTIMENT TOWARD RAILROADS.

The CHAIRMAN. What is the general feeling on the part of the people out in the country in reference to the transportation companies of the country? Is there the same feeling that existed against them along in 1873 and 1874, when the granger law, as we used to call it in our State, was first passed?

Mr. SMITH. As was described yesterday, of course there had been a good deal of excitement and feeling before 1874, before the granger law was passed; and the people having secured the passage of the granger law, it had a great tendency to pacify them, and they are reasonably well satisfied with that law. They admit, however, that there were many inconsistencies in it that ought to be modified. Then, as was stated yesterday, the commissioner law was adopted; but I perhaps might differ with other gentlemen about who desired that commissioner law to be adopted. I do know that a great many people of the country



regard that commissioner law as having been adopted largely by influence of the railroads.

The CHAIRMAN. The people out in the country felt that that was a movement by the corporations?

#### THE IOWA COMMISSION.

Mr. SMITH. By the corporations largely, and largely controlled by them, and that they exercised a very large influence upon the legislature to get the law passed. That was the feeling. I know that in the county in which I live, and in various other counties in which I am acquainted, the railroads themselves exercised a very large influence to get that law passed; but that law having been passed, they acquiesced in it, and through the commissioners the people make their complaints. They understand they are at perfect liberty to make complaints to the commissioner; and so far as the commission is concerned, it is taking care of their interests.

The CHAIRMAN. Now that you have had experience under the old law without a commission and under the present law with one, which, in your judgment, is the best system or the best law?

Mr. SMITH. Our old law was crude and imperfect, and we were only experimenting under it. A good many of our people thought, if we would profit by the experience of that law and correct its deficiencies, it would be a very good law; but that experiment was not tried, and as yet the people have had no opportunity to determine between the virtues and practicability of that law and the virtues and the practicability of this law.

#### COMMISSIONERS' SALARIES PAID BY RAILROADS.

This one seems to be working tolerably well, and our people are making no complaints about it now, as I understand. They have rather acquiesced in the situation, except as to one provision of the law about which there is considerable criticism. That is, that in the law itself it provides that the railroads shall pay the salaries of the commissioners, and, in my opinion, it is a matter that ought to be changed.

The CHAIRMAN. You think that the State ought to pay its officers in this business the same as it does in any other?

Mr. SMITH. The railroads ought to be taxed as other people are taxed, and bear their share of it; and the people of the State at large should pay those salaries.

The CHAIRMAN. And because of the fact that the railroads pay their salaries, there is a feeling, is there, that they may be more or less under their influence?

Mr. SMITH. That is the probability about it. Gentlemen sometimes recognize who their employers may be, or at least who pay them, and it may have a bad influence, although there is not much said against the commission on that account. The commissioners are very high people, but I know that there is a sentiment abroad in favor of a change as to paying salaries.

The CHAIRMAN. Suppose that were done, do you think the farming population more especially would be in favor of abolishing the commission or of standing by it?

Mr. SMITH. I do not think there would be such effort made to abolish the commission as would succeed in so doing. While, perhaps, I would say that there would be some discussion on the subject, more or

less, still I think our people would acquiesce, or they are willing to acquiesce, in the arrangement at present, with a little modification.

#### A NATIONAL COMMISSION.

The CHAIRMAN. What is your own opinion, and what do you understand the opinion of the agricultural people to be, in reference to what Congress ought to do, looking to the regulation of commerce between the States?

Mr. SMITH. There is a very great anxiety in our State that this question of interstate commerce shall be controlled by Congress, so that it can be regulated. There is no doubt about that. There is a very strong desire in this State in that direction.

The CHAIRMAN. That some law should be passed?

Mr. SMITH. That some law should be passed. As to what the law should be I am not, perhaps, so informed that I could give an opinion. In fact, there is no uniform opinion among our people as to that. I have heard a commission talked of more frequently than otherwise, because it seems to be more practicable to those to whom it has been presented.

The CHAIRMAN. Is it your own opinion and the opinion of the farmers that any law that we might pass should provide for a commission?

Mr. SMITH. It seems to be the accepted idea of the people that that would be the way to do it.

The CHAIRMAN. Suppose that were done, have you thought about the question of how much power a commission ought to be given?

Mr. SMITH. No, sir; I have not; I am not able to discuss that question satisfactorily to myself.

#### POOLING.

The CHAIRMAN. What is your own opinion (and the opinion, so far as you know, of your people) on the question of pooling?

Mr. SMITH. I would only speak for myself now, but individually I think that all strikes of communities, of working men, or of men interested in business in the way of pooling, amount to the same thing and are detrimental to the interests of the public. I find that when the common laborers strike as to their wages, for or against railroads, the railroads resort to the aid of the law to suppress the strike. When they themselves strike against the people, as it were, by pooling their issues, the people have no such remedy.

The CHAIRMAN. You regard the pooling system as a strike?

Mr. SMITH. I think that the one encroaches on the other. I believe that one has as much virtue as the other, and that one side has just as much right to resort to the law as the other side. That is my theory of it.

Senator PLATT. Both are combinations to get better prices?

Mr. SMITH. Both are combinations to get better prices.

Senator HARRIS. And both are lawless, are they not?

Mr. SMITH. Both are lawless, and the one encroaches on the other. That is my theory on that question.

The CHAIRMAN. You cannot say that both ought to be prohibited; you cannot prohibit a strike very well. In other words a man has a right to quit work if he wants to.

Mr. SMITH. That is all true.

Senator PLATT. They do pass laws that working men shall not make a combination to prevent others from working.

Mr. SMITH. I believe they do.

The CHAIRMAN. And that is certainly in the power of legislation. But do you think on the whole that pooling ought to be prohibited by the law?

Mr. SMITH. I do; I think pooling of itself is one of the greatest excuses for strikes that prevails in the country.

The CHAIRMAN. The prohibition of pooling is one thing that ought to be in the law?

Mr. SMITH. I think so.

#### REBATES.

The CHAIRMAN. So far as your knowledge goes in dealing with these railroads has there been any system of rebates carried on by them in this section of the country?

Mr. SMITH. I am not a shipper myself, and I do not know much about that thing. I take it for granted that there is. I do not know much about it. There are other gentlemen on our board who can tell you.

The CHAIRMAN. You know of no reason, do you, why that system should be practiced by transportation companies? What I mean by rebates is privately giving to one jobber a rebate, and not giving it to everybody else in the business.

Mr. SMITH. I will say this: I do not think that a rebate should be given to one party to the prejudice of another, or that cannot be secured by another under similar circumstances. This question has been discussed in our State very much, about giving advantages to men who are wholesale men, strictly speaking. I am of the opinion myself that men who are exclusively wholesale men, and not retail men, should have some advantages in their shipments.

#### JOBBERS' AND WHOLESALERS' REBATES.

I have arrived at that conclusion from some examples that came under my observation in my own town. There is a firm there in the wholesale grocery business that has been selling for the last two or three years about \$1,000,000 worth of goods per year, and they claim to me that about the only advantage they get is what they get in the reduction on their shipments over the retailers. I know that they are able to sell, and do sell, nineteen-twentieths of the groceries to our retail men in our State by virtue of that advantage; and therefore the business of that county is growing up. Otherwise, if they had no advantage in that shape, it would not grow up and it would destroy their business; and every time a man wanted \$50 or \$100 worth of groceries, instead of buying it in their store they would go to Chicago.

The CHAIRMAN. So that that system is building up the community?

Mr. SMITH. It is of very great advantage to our people, because when a man wants \$25 or \$50 worth of groceries he can go there and get them, whereas, if he were compelled to go to the city he would have to wait until he wanted \$200 or \$300 worth. He gives that much more employment to the people of our place.

The CHAIRMAN. So that you think there ought to be a concession to wholesale dealers?

Mr. SMITH. Yes, sir; but I would not recommend a concession to men who do both a wholesale and retail business in the same establishment.

The CHAIRMAN. You do not think a man ought to have the advan-

tage of sliding his goods into another store of his own and thereby have an advantage over a retail dealer who did not do a jobbing business?

Mr. SMITH. No, sir.

The CHAIRMAN. But you would not be in favor of the general proposition of paying rebates in the manner in which it is said it is sometimes done, giving one an advantage over another in the same business?

Mr. SMITH. Not at all.

The CHAIRMAN. It is discrimination.

Mr. SMITH. It is discrimination.

The CHAIRMAN. You have already talked about the long and short haul question. Do you believe that a law ought to be passed regulating the haul in proportion to distance, or what theory do you advocate?

Mr. SMITH. I know enough about railroading to believe that any iron-clad rule as to distance sometimes will work very great hardship, under certain peculiar circumstances. That is one of the reasons why I have been in favor of the commission, which may relax these rules. We had an example in our State a couple of years ago. The railroads themselves, some of them, voluntarily, when seed corn was scarce, undertook to ship in seed corn at a nominal rate, or without any cost, for the purpose of encouraging the growth of corn so that eventually the country would profit by it, and they might have the haul. Of course there was an occasion where they were not bound to charge this man or that man certain rates. They could give him a benefit because it would have a tendency to produce a crop in the country. There are many other occasions, when the crop is poor or when the price is low, when perhaps railroads ought to have an opportunity to adjust those things to the circumstances, which a commission, perhaps, alone could regulate or approve.

The CHAIRMAN. Provided they were not interfered with by law?

Mr. SMITH. Provided they were not hampered by an iron-clad law.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. Suppose a freight train starts out from here to Chicago, and it has a car-load, for instance, that it leaves 20 miles this side of Chicago at some little station; but the balance of the train is bound for Chicago, freighted with the products of this section of the State. The station that the car is left at is a station where there is no business being done except the little business of the section that surrounds a little town; and hence that car probably would not be loaded at that place. Would it be safe to pass a law declaring that there should not be any more charged for the transportation of that car to that point than for the car that went to Chicago, 20 miles farther, in view of the fact that they would have to go back for that car and get it?

Mr. SMITH. I think this, that railroads should not be an exception to the rule that all men in public business have to do under certain circumstances some business that is entirely unprofitable, or that is even done at a loss. They should not be guaranteed a profit under any and all circumstances, in their business, any more than any other man or any other business. That is one of the incidents of railroading as well as of other business. They of course have their profits upon the whole to cover the losses. In such a case as that I would say they should not be permitted to charge over a rate they would charge to Chicago; and if there is a little loss upon it let it be averaged up with their profits,

the same as in any other business by other corporations, or by other gentlemen.

The CHAIRMAN. Then would you be in favor of putting into the Constitution a provision prohibiting the charging of more under all or any circumstances for a short than for a long haul, going from the same point and in the same direction?

Mr. SMITH. I think I would.

The CHAIRMAN. You think that would be a safe provision of law?

Mr. SMITH. I think it would, because they can get as much under that provision as for hauling the extreme length of the route. I do it upon the theory that I have suggested, that they should be expected to do some business on which they would not make profits, the same as other people do. That is incidental to any public business.

#### PUBLICITY OF RATES.

The CHAIRMAN. What do you think about requiring publicity of rates? Do you believe that ought to be regulated by statute?

Mr. SMITH. That necessarily follows if you prohibit making secret rates in favor of individuals, I apprehend. I think that is correct.

The CHAIRMAN. There is no object in not publishing them?

Mr. SMITH. One would follow the other proposition, I should say.

#### NOTICE OF CHANGE OF RATES.

Senator HARRIS. Would you allow those published rates to be changed without giving a reasonable notice to the public of the intention to make such a change?

Mr. SMITH. Not at all, because that would be a new state of facts.

Senator HARRIS. You had your original act of 1874 in operation for some four years, I believe?

Mr. SMITH. Yes, sir.

Senator HARRIS. That act was repealed or modified by the passage of what is now known as your commissioner act, was it not?

Mr. SMITH. Yes, sir; the former act existing until the present act became a law, which repealed the former.

Senator HARRIS. You have had that in operation over seven years?

Mr. SMITH. Nearly seven years.

#### IOWA RAILROAD LEGISLATION.

Senator HARRIS. In your opinion what has been the effect of the two acts compared with each other? I mean, so far as they have had any effect upon the business and commerce of this State; have they both been beneficial or otherwise?

Mr. SMITH. The first act made a very radical change, taking control of the railroad business of the country. At that time, of course, there was a very great contest between the railroads and the people as to the law. It took the railroad companies some time to recognize the fact that the law was supreme, and the change was more radical in that law than under the present law. Of course you are aware that there have been decisions of the courts since that time that establish the law of the land that the law-making power had a right to control this thing; and the railroads have submitted, and things are getting along now much smoother than they did even under the Granger law, because of these recognized facts.

Senator HARRIS. The questions have become settled?

Mr. SMITH. The questions have become settled, and the legislature has a right to regulate; we are going along much smoother now than at any time heretofore.

#### A NATIONAL COMMISSION WITH LARGE POWERS.

Senator HARRIS. Do you think the national commission should have power to fix rates or revise rates, when fixed by the transportation company?

Mr. SMITH. The commission at first would, of course, be an experiment; and my own idea about it is that they should have very large power given to them in the first place, until experience should determine what restrictions should be placed upon the commission.

Senator HARRIS. You think it is safer to begin with large powers, given the commission, letting experience determine how far those powers should be restricted afterwards, than to begin with limited powers, enlarging them as experience would justify the enlargements?

Mr. SMITH. Perhaps I might say that in some respects the powers should be pretty strong, and in some others they should be limited; I would not undertake now to define in which direction that should be, but there is certainly one thing in connection with that, like this: that the legislation of the country would hardly be able at first to determine wherein those limits should exist.

Senator HARRIS. Do you think the commission should have power to receive complaints from the citizens and shippers generally, and to investigate them and arrive at conclusions, and report the conclusions they arrive at upon an investigation of complaint?

Mr. SMITH. I think every opportunity and every facility should be given to the shippers to make their complaints known to the commission, and to be heard by them, so that they would feel positively free, (notwithstanding the capitalized power of the road, the moneyed power) to present their complaints.

#### COMMISSION'S DECISIONS PRIMA FACIE EVIDENCE OF CORRECTNESS.

Senator HARRIS. When a complaint has been presented, and the matter investigated and a conclusion arrived at by the commission, and the commission calls the attention of the offending railroad to the fact that it has investigated and arrived at such conclusion, if the railroad fails to right the wrong, would you make the finding of the commission *prima facie* evidence of their correctness in a judicial proceeding afterwards?

Mr. SMITH. I should be very sorry if we had a commission in which their findings would not be *prima facie* evidence of the correctness of what they had done.

Senator HARRIS. You think it would be right to make them so by law?

Mr. SMITH. I should think so; yes, sir.

#### HIRAM C. WHEELER'S STATEMENT.

HIRAM C. WHEELER, of Odebolt, Sac County, Iowa, vice president of the Iowa State Agricultural Society, appeared.

Senator PLATT. Where do you reside?

Mr. WHEELER. At Odebolt, Sac County.

Senator PLATT. What part of the State is that in?

**Mr. WHEELER.** It is in the center of the western part, or near the center.

**Senator PLATT.** Are you familiar with the feeling of the agricultural community in that section of the State in reference to railroads?

**Mr. WHEELER.** Yes, sir.

**Senator PLATT.** What is the sentiment of the people there in reference to railroads at the present time?

#### PUBLIC SENTIMENT AS TO RAILROADS.

**Mr. WHEELER.** I think the people are all as favorable to railroads as they would be to any other business. They think they should be remunerated fairly, and that they should have the same chance that any other business is entitled to; but there are a great many that think the interstate rate, especially, is excessive, by comparison with other rates. I will illustrate that, if you will hear me a minute. For instance, I would not compare the rates from Iowa to Chicago for the whole year with the rates from Chicago to New York, but I would compare them with the winter rates from Chicago to New York, when there is no competition by waterways. I ship a good deal by car-load, and it is all my own stuff, and therefore I keep a pretty close account of the rates from Chicago as well as our own rates. Our own rates have not been changed for fourteen years, to my own knowledge.

**Senator HARRIS.** Do you mean the grain rates or rates generally?

#### COMPARISON BETWEEN EASTERN AND WESTERN RATES.

**Mr. WHEELER.** Grain rates; I think Judge McDill will bear me out in the statement that the rates would average from Chicago, say for the last five or six or seven years, during the winter time, about 20 cents on the different kinds of grain to New York. They have been from 10 to 30 cents; I think an average would be not far from 20 cents. Now, you take all kinds of grain from Iowa, and take the average distances to Chicago from the State of Iowa; it would be a little less than one-third the distance from Chicago to New York; and you take the average tariff per mile, and it would be about 20 cents lower; so it makes the difference three times that much. That is, the freight rates in Iowa, from Iowa to Chicago and Saint Louis, where 80 per cent. of our business goes, are paid on interstate rates. The 20 per cent is a small item compared with the other. Our secretary has made reports of the amount of grain we raise; it would be about \$350,000,000. That would make an average, on that difference, of about 6 cents a bushel, or in round numbers about \$20,000,000. That is the difference that we pay them over the corresponding rate on the railroads from Chicago to New York, which railroads, I think, cost as much money. And taking it up to a little while ago, the railroads of Iowa, as far as I know, have had all the business that they had rolling stock to do. The rates may be worth some more now, but certainly they are not worth three times as much, in my judgment.

**Senator HARRIS.** Did I understand you to say that the Iowa roads had had as much business as they could accommodate?

**Mr. WHEELER.** They have had in my section, yes, sir, until within the last year; it has been less, of course, because crops were so light. We had all light crops. I do not know about the other sections of the State; I am only speaking of myself.

Senator PLATT. Have you several roads that you depend upon, or only one?

Mr. WHEELER. No, sir; only one.

#### NO REDUCTIONS IN RATES IN FIFTEEN YEARS.

Senator PLATT. As you understand it, the grain rates for your section of the State to Chicago have not been reduced for the last ten years?

Mr. WHEELER. No, sir; they have not been, except last winter they made a concession of about 3 cents on wheat and corn. The rate on wheat was the same fifteen years ago that it is now, and in places that I know of.

Senator PLATT. Have you made any effort to get a reduction?

Mr. WHEELER. I asked for it myself; I did not get it.

Senator PLATT. Has there been any public effort made to get a reduction?

Mr. WHEELER. No, sir; there is no way. Our railway commission has no power at all. They have power only over 20 per cent. of our commerce any way, and that is always small shipments. As, for instance, suppose I ship a hundred cars a year. May be one car would go where it would be governed by State rates and ninety-nine where there would be interstate rates; that is all grain. I would not undertake to say that the people of Iowa lose \$20,000,000 by reason of this difference in the rates in freight alone; but I do say that the freight makes the price of our products. If a man wants to feed his corn or grind his wheat, it is governed by the rate of freight that takes it to Chicago and to the seaboard, just the same as our Chicago and New York markets are governed by the markets of the world.

Senator PLATT. You do not think it is right that so much of the rate of freight from Iowa to New York should be charged on this end of the route?

Mr. WHEELER. I do not; no, sir.

Senator PLATT. If the whole rate through is only a fair rate, would that make any difference to the people of Iowa?

Mr. WHEELER. I do not know. Our shipments all terminate with our road at Chicago. There is no through line owned by the same parties.

#### THROUGH BILLS OF LADING.

Senator PLATT. Do you not think it would be very much better to have through bills of lading?

Mr. WHEELER. I think so. I think it would benefit the farmer. It would educate him to ship a car of corn maybe to a town in Massachusetts, or a town in New Hampshire, or New York or Pennsylvania. And if it was made so that he could do it, and do it intelligently himself, it would be a great deal of advantage. He would get more money for it; he would save one or two brokerages handling it.

Senator PLATT. Necessarily there would have to be an average freight over the entire road if there were through bills of lading?

Mr. WHEELER. Yes, sir.

Senator PLATT. Now what I want to ask for information is this: If you admit that the entire rate from your section of Iowa to New York is not too much, all things considered, would it make any difference if it were reduced at this end and raised at the other, if it is too low at the other end?



## CHICAGO THE MARKET FOR IOWA.

Mr. WHEELER. Very likely the money required would be the same. No one in Iowa takes any account of New York prices. Chicago is our market. In my part of the State that is so, as in fact it is all over the State.

Senator PLATT. Suppose the roads do not carry grain eastward from Chicago for less than they can afford to, but that they are carrying it at cost. You do not think a road ought to do that, do you?

Mr. WHEELER. No, sir; they should receive a good remuneration. I am in favor of the railroads. They have made the Western country.

Senator PLATT. Suppose it to be true that they are carrying grain east of Chicago at cost. Would it help Iowa any if that rate was put up some, and the other rate in Iowa was put down so as to make it a reasonable rate all along the line, but the same rate in the aggregate that now exists?

Mr. WHEELER. It would depend upon the amount that was raised and lowered, and the amount of freight charge that it took to get to New York. That would be all.

Senator PLATT. It depends, then, upon this, whether the whole rate to New York is too high, so far as the people of Iowa are concerned?

Mr. WHEELER. Why, no; not the way it is now. I think to the people of Iowa it depends upon whether the rate to Chicago is too high, because there the people sell their stock.

Senator PLATT. It does not stay there?

Mr. WHEELER. No, sir.

Senator PLATT. Your idea is that you have not very much to do with what the people east of Chicago see fit to do?

Mr. WHEELER. No; we have nothing to do with that.

Senator PLATT. You want to get a fair rate to Chicago, your market place?

Mr. WHEELER. Yes, sir; that is all.

Senator PLATT. If the Chicago people choose to do business for nothing east of there you do not think you ought to share in the loss?

Mr. WHEELER. No, sir. Of course, the most of our grain, or a great amount of the shipments, are regulated by the water routes. Any farmer that is so disposed, and will pay attention to the question, can have all his grain enjoy the benefit of the waterways in transportation.

Senator HARRIS. What market controls the price of grain in Iowa?

Mr. WHEELER. Chicago.

Senator HARRIS. Is the Chicago market, in the price of grain, controlled by any market still farther east?

Mr. WHEELER. By the Liverpool market; yes, sir.

Senator HARRIS. If it be true that the price of grain in Liverpool controls the price of grain in Chicago, and the Chicago price controls the price here, does not the cost of transportation from here to Liverpool affect the price of grain in the hands of the producer?

Mr. WHEELER. Yes, sir.

Senator HARRIS. Then; even though you sell at Chicago, the price you get depends upon what that grain will bring in Liverpool?

Mr. WHEELER. Yes, sir.

Senator HARRIS. And it makes the producer in Iowa directly interested in the freight from the field to the consumer in Liverpool, does it not?

Mr. WHEELER. Yes, sir. I would say there would be this exception: Whenever we have only enough grain for our own consumption, then the foreign market is out of the question as a controlling agent.

Senator PLATT. And if they get a little short over in Europe, Chicago would control the price rather than Liverpool, would it not?

Mr. WHEELER. Yes, sir; those are the exceptions. The rule is the same, though.

Senator PLATT. Do you have communication from your section of the State with Saint Louis?

Mr. WHEELER. No, sir, not that we can avail ourselves of.

Senator PLATT. They have from these interior points?

Mr. WHEELER. They have from Des Moines here, and from some other parts of the State.

Senator PLATT. Saint Louis is as cheap as Chicago, is it not?

Mr. WHEELER. I guess it is, about. There is not much difference.

Senator PLATT. Saint Louis is quite a grain market, is it not?

Mr. WHEELER. Yes, sir.

Senator PLATT. They claim at Saint Louis that they can ship to Liverpool as cheaply as they can from Chicago, if not more cheaply.

Mr. WHEELER. I do not know how that is. As a general thing, as to wheat the market you will find is generally a little lower in Saint Louis on their cash sales than in Chicago.

Senator PLATT. Very little of the trade of Iowa comes by the way of Saint Louis?

Mr. WHEELER. Very little, I think. There is none of it from my section, in fact I do not know any anywhere; but there are exceptions.

Senator PLATT. Why is that?

Mr. WHEELER. The railways all tend to Chicago.

Senator PLATT. You have a system, as I understand it, which reaches up here from Saint Louis?

Mr. WHEELER. Yes, sir; but the east and west railways, I guess, control most of the longitudinal roads; most of them.

Senator PLATT. Is not the Wabash system antagonistic to the east and west railroads here?

Mr. WHEELER. The Wabash, as I understand it, is an east and west railroad itself.

Senator PLATT. Its headquarters are at Saint Louis. Suppose it wants to divert goods to Saint Louis, could they not put in passengers and traffic between Chicago and Omaha?

Mr. WHEELER. I know they compete for passenger traffic between Chicago and Omaha. You ought to know about that section of the country.

Senator PLATT. What do you think the feeling is in the State of Iowa? Do you think it is as hostile, if I may use that expression, as it was twenty years ago?

Mr. WHEELER. No, sir; there is a more rational feeling. Nobody wants to injure the railroads now. They want a fair deal. Of course there are cranks in all business, but then the business men just want a fair deal.

#### A NATIONAL COMMISSION.

Senator PLATT. Assuming that Congress ought in some way to exercise a regulating power over this interstate commerce, what would you have Congress to do?

Mr. WHEELER. I do not know; of course it is a question that there

are opinions upon until it is tried. I think there are so many points to be considered that a commission is the only thing that could be practical.

Senator PLATT. Do you think that Congress, with its present knowledge and all the knowledge it can get, can safely attempt to control the whole subject by a statute alone?

Mr. WHEELER. No, sir; I do not think so. I think they would do injustice to the people or to the railways.

Senator PLATT. And very likely to both?

Mr. WHEELER. And very likely to both; yes, sir.

Senator PLATT. Then you think there ought to be a statute giving the commission some power and prescribing certain duties?

Mr. WHEELER. Yes, sir.

Senator PLATT. And exercising some influence or control over common carriers?

Mr. WHEELER. Yes, sir.

#### WITH EXTENSIVE POWERS.

Senator PLATT. What would be your idea as to the best thing to do at first? To try to cover the whole ground in detail, or to enact general legislation and be a little conservative at the start; or would you go radically into the whole thing at the start? In other words, would you give this commission very extensive power or limited powers at the commencement?

Mr. WHEELER. I do not believe that anybody is of any use unless he has power over the subject that he considers. I would give a commission full power to settle everything. That would finish it.

Senator PLATT. Would you make their decisions as conclusive as it was possible to make them?

Mr. WHEELER. I would make them just as conclusive as a court-martial in an Army case.

The CHAIRMAN. Shoot them on the spot?

Mr. WHEELER. I would finish it there.

Senator PLATT. Is it or not one of the causes of irritation against the railroads that people who have complaints cannot get them settled without great expense?

Mr. WHEELER. I think that if you have anything that appertains to State commerce you can get it settled by going before our railway commission. You speak of the old Granger law. The railway commission affects only 20 per cent. of our business. It does not amount to anything as to the wealth of the State and the amount of freight they send. We want something that takes consideration of the other 80 per cent. I do not think there is any trouble in settling anything the commissioners have control of.

Senator PLATT. The judgment of the commissioners of Iowa is not conclusive and binding?

Mr. WHEELER. No, sir; they can only recommend. As I understand, they can do nothing with inter-State commerce.

Senator PLATT. Their conclusions are accepted, although they cannot enforce them, are they not?

Mr. WHEELER. Yes, sir; they are usually accepted, as far as my observation and knowledge go.

Senator PLATT. That brings me right to the point: would you in a national commission rely upon power given them by law to enforce their conclusions, or would you rely, as you do in State matters, largely upon public opinion?

Mr. WHEELER. Oh, I think I would make it so that they have the law. I think it should be a pretty large commission. It is a large subject. And the commission should be composed of men who would be equally capable as our supreme judges, and then let them settle these matters.

#### A COMMISSION WITHOUT JUDICIAL POWER.

Senator PLATT. We encounter this difficulty: If such a commission is to have judicial power, and power absolutely to enforce its decrees as a court, then it is a court. If we have a United States court of any kind we must have judges with a life tenure. Would you still be in favor, if these commissioners had to be judges with a life tenure, of giving them full judicial power and the right to enforce their decrees?

Mr. WHEELER. No, sir, I would not. The judicial power is something that I am not posted on. If that is the case I should think that you had better have something to appeal to.

The CHAIRMAN. You would go just as far as the Constitution would allow you to go without making them life officers?

Mr. WHEELER. Yes, sir. I do not think a life officer should be made in that connection. It is a different thing.

Senator HARRIS. It is a question controlled by the Constitution?

Mr. WHEELER. Yes, sir; so I understand, from what you gentlemen say. I do not think it would be to the advantage of the country to give a man that position for life.

Senator PLATT. Have you ever given any attention to the plan that was outlined in the Reagan bill; that is, practically to control this matter by statute, without a commission?

Mr. WHEELER. I heard of that bill.

Senator PLATT. You think that the general sentiment is that it would be better to have a commission to carry out whatever law may be passed by Congress on this subject?

Mr. WHEELER. I would not say it is the general opinion. I could only give my own opinion on that. I have not talked that matter over.

Senator PLATT. That is your opinion?

Mr. WHEELER. Yes, sir.

The CHAIRMAN. How far is Odebolt from here?

Mr. WHEELER. About 100 miles.

The CHAIRMAN. You are a large operator and farmer there?

#### THE LONG AND SHORT HAUL.

Mr. WHEELER. I have a large farm there. This Reagan bill, as I understand, is about the long and the short haul. I never could see any reason why a railway should have more for a short haul than for a long one.

The CHAIRMAN. Starting from the same point and going in the same direction?

Mr. WHEELER. Because it has been the case in Iowa that people would ship goods by Council Bluffs from Chicago, and then let them come back.

The CHAIRMAN. Let them come back here?

Mr. WHEELER. Maybe not as far as here, but they would come back to some point. Of course I could see readily, where a railway paralleled a water-way, that as to those places there might be an exception; but then the exceptions are so few, and there would be so little damage done in that way, as compared with the damage in the other way, that I think it would a great deal more than offset it.

The CHAIRMAN. Would you have a provision of the statute prohibiting it, or would you leave that to the power of the commission to regulate?

Mr. WHEELER. I think that if you have a commission you had better leave it all to them.

Senator PLATT. Suppose this law of Congress actually prohibited unjust preferences and unjust discriminations, and a commission was appointed to hear and determine what was unjust discrimination and what was an improper preference; would they not deal with this long and short haul question pretty well under such power as that?

Mr. WHEELER. I think so; yes, sir. As I say, I think there might be very rare exceptions where the long haul should be done cheaper than the short; but I think they are very rare. I do not think there is any in this country.

#### THE WEST INDEBTED TO RAILROADS.

Senator PLATT. In other words, your feeling is that you do not want to do injustice to the railroads under any circumstances?

Mr. WHEELER. No, sir.

Senator PLATT. And you do not want them to do injustice to the people?

Mr. WHEELER. No, sir. We are indebted to the railroads; the whole West is indebted to them. I think they should have as fair a show as any other business.

The CHAIRMAN. In Saint Louis we were instanced the case of the railroad called the Saint Louis and Cairo Short Line, which starts out of Saint Louis on the river and ends at Cairo on the river. Some of the inland stations are away from the river some 25 or 50 miles, the river being crooked, as you know; hence a railroad running pretty straight would get away from the river in some places. The testimony seemed to be that if the railroad was prohibited from charging more at those inland stations nearer to Saint Louis on freight going to Cairo than from Saint Louis to Cairo, it would get no business; and probably it would kill the railroad.

Mr. WHEELER. That would not seem right.

The CHAIRMAN. Apparently not.

Mr. WHEELER. If you take a distance by car line you ought to take the mileage by the boats.

The CHAIRMAN. That might be; but the boats compete.

Mr. WHEELER. Well, I think there might be cases.

The CHAIRMAN. The general proposition is that it would be wrong in ninety-nine cases out of a hundred to charge more for a short than a long haul?

Mr. WHEELER. Yes, sir, I think so.

The CHAIRMAN. Although there are exceptions, apparently?

Mr. WHEELER. Yes, sir.

#### L. C. BALDWIN'S STATEMENT.

L. C. BALDWIN, of Council Bluffs, Iowa, cattle dealer, appeared.

Senator HARRIS. What is your business?

Mr. BALDWIN. I am engaged in cattle growing and cattle shipping in the State of Iowa and in the Territory of Wyoming.

Senator HARRIS. Have you had large transactions with the transportation company?

Mr. BALDWIN. Yes, they perhaps might be considered large in one sense and not in another. My transactions have been quite as extensive in shipments of cattle in this region of the country, but not large compared with the transactions of some men in the same business.

Senator HARRIS. All of your shipments are inter-State, or nearly all; they go East?

Mr. BALDWIN. Almost exclusively. I suppose almost nine-tenths of my shipments are inter-State. They would be almost exclusively. Nine-tenths of my shipments would be from Wyoming and perhaps one-tenth from the State of Iowa, which would all constitute inter-State shipments.

The CHAIRMAN. You scarcely do any State business?

Mr. BALDWIN. Very little; only the simple transportation of thoroughbreds from one portion of the State to another.

Senator PLATT. Over what routes do your Wyoming shipments go? Do they go through Iowa?

Mr. BALDWIN. Yes, sir; generally over the Union Pacific and over one of the system of roads running east from Council Bluffs.

#### DISCRIMINATIONS IN CATTLE SHIPMENTS.

Senator HARRIS. From your experience with transportation companies in your business, and from your observation of their dealings with others, what is your opinion as to the fairness with which they have dealt with you and others similarly engaged?

Mr. BALDWIN. The different roads differ somewhat. Some of the roads deal quite fairly and others we think deal unfairly.

Senator HARRIS. In what does the unfairness consist?

Mr. BALDWIN. In excessive rates and want of certain classes of accommodations. Some gentlemen get transportation for all their men and themselves, while some other men get transportation for the shipper only—the man in charge of the stock.

Senator HARRIS. Which amounts to a discrimination, you think, as between individuals similarly situated?

Mr. BALDWIN. Yes, sir; in the same business and similarly situated.

Senator HARRIS. To any large extent has this been practiced?

Mr. BALDWIN. To what extent I cannot say. I speak more from personal observation and in my own direct line of business and action, not from a general knowledge. I cannot answer the question from a general standpoint.

Senator HARRIS. The discrimination that you have referred to thus far exists only in the matter of transportation for the owner and such employes as he may choose to transport. Are you or not aware of any discriminations as to rates between different individuals similarly situated and shipping over the same line?

Mr. BALDWIN. To know a thing without seeing it, I am; to see it, I am not.

Senator PLATT. To be satisfied without being able to prove it, you are?

Mr. BALDWIN. Yes, sir.

Senator HARRIS. Are you satisfied that such has been the case?

Mr. BALDWIN. I think I am.

Senator HARRIS. To any considerable or to a very slight extent?

Mr. BALDWIN. I think to a very considerable extent.

Senator HARRIS. As a matter of mere favoritism between individuals?

Mr. BALDWIN. I think so.

## THE REMEDY IN NATIONAL LEGISLATION.

Senator HARRIS. Have you considered the matter with a view to remedying the evils such as those you refer to?

Mr. BALDWIN. I have, in a casual way.

Senator HARRIS. Will you be kind enough to suggest your view of the best method of remedying those evils?

Mr. BALDWIN. My ideas would be through national legislation.

Senator HARRIS. In national legislation would you prohibit all discriminations as between individuals similarly situated?

Mr. BALDWIN. In every possible form.

Senator HARRIS. Would you prohibit discriminations in favor of one point as against other points?

Mr. BALDWIN. Equally so.

Senator HARRIS. These things you would prohibit by statute absolutely?

Mr. BALDWIN. I would, absolutely.

## PUBLICITY OF RATES AND NOTICE OF CHANGE.

Senator HARRIS. Would you require transportation companies to publish their rates?

Mr. BALDWIN. In every instance.

Senator HARRIS. Would you require that those rates should not be changed except upon a reasonable notice given to the public of the intended change?

Mr. BALDWIN. I would.

Senator HARRIS. Would you undertake to remedy the evils in all of their aspects by a statute, or would you create a tribunal with some discretionary powers to sit in judgment upon the various contingencies that might arise?

Mr. BALDWIN. My judgment is that I would not make either exclusive; I would make an outline under which a tribunal should act with a specified power.

Senator HARRIS. You would create a commission or some other tribunal?

## STATE AND NATIONAL COMMISSIONS ACTING IN HARMONY.

Mr. BALDWIN. If you will permit me I will just make a statement of my idea. My view of the matter, with some little consideration, for I have not confined myself to details at all, would be this: to create a State commission for each State, and a national commission. The State commissions may be appointed or elected by the people, but the national commission should be appointed by Congress. The different State commissions should immediately come in contact with the people and report their action to the national commission, the national commission to report to Congress. Allow that action to take place for the space of, say, three years. Then, upon the basis of that information that can be collected from the State commissions, and from the national commission direct to Congress, after three years I do not think there will be any possible doubt but that this whole difficulty could be regulated between the States, as to inter-State commerce, and the people and the consumers.

## PRODUCER, CARRIER, AND CONSUMER TO DIVIDE PROFITS.

As a basis of the action of that commission I would just do this: I should make my basis upon one general principle, and that is, that the producer, the carrier, and the consumer each should, perhaps, have an equally divided share of the profits above the cost of production. If corn costs 10 cents a bushel, and it is worth 25 cents a bushel in Chicago or at any other port, the producer should have 15 cents for his corn, the carrier 5 cents, and the consumer 5 cents. That would be an equal divide. That would be the basis of my action. On that basis I cannot see that there should be any considerable difficulty between the producer, the carrier, or the consumer.

Senator HARRIS. If you had the power would you provide in the law that the profits over production should be thus divide between producer, carrier, and consumer?

Mr. BALDWIN. I would.

Senator HARRIS. But suppose the fact to be that Congress has no power to create a State commission or to exercise any control over or to impose upon a State commission any duties whatever; that Congress has no power to regulate or control in any manner that commerce which is confined strictly within a State, the State having no power to control or regulate inter-State commerce or to impose any duties upon the Federal commission. In that case, the Federal commission having power only over inter State commerce, what powers would you confer upon that commission?

Mr. BALDWIN. Rather than not to have a commission at all, I would impose exclusive power under the act of Congress.

Senator HARRIS. Should that act make the conclusion of the Federal commission final, as the judgments of the courts are final?

Mr. BALDWIN. I think so.

## LIFE TENURE NOT DESIRABLE.

Senator HARRIS. If to do so you would have to appoint commissioners with life tenure, because, if their judgments are to be final, they become a court under the Constitution, and the tenure of office of the commissioners would be that of all other Federal judges; would you still give it power to pronounce final judgment, in the view that the judges or commissioners would hold their office for life?

Mr. BALDWIN. I should not like that feature.

Senator HARRIS. In view of that feature, with these provisions that have been suggested prohibiting rebates and unjust discriminations and requiring published rates and no change of rates except upon reasonable notice, creating a commission to watch vigilantly these things, to hear all complaints of all people as against common carriers engaged in inter-State commerce, and making the finding of the commission *prima facie* evidence of correctness in the courts of justice, would that method, in your opinion, be a satisfactory one?

Mr. BALDWIN. Yes, sir; that would be a good one, I think.

## THE LONG AND SHORT HAUL.

Senator HARRIS. What is your opinion as to the propriety and wisdom of prohibiting a railroad company from charging more in the aggregate for a short than for a long haul going over the same road in the same direction?



Mr. BALDWIN. The only difference that I would make in the long and short haul would be simply the difference between the actual clerical expense of short and long hauls. For instance, numerous one, two, three, and ten car-load lots on short hauls would really involve an additional expense upon the railroad companies that they would not get paid for. That is, if there were to be maximum rates, beyond which companies could not charge, I think there should be a fair allowance made for the short haul over the long haul.

Senator HARRIS. But take this case: you are making a shipment from Des Moines to Chicago at so much a car-load; I have a car-load of the same kind of freight in the depot here at the same time that I propose to ship to a point 50 miles this side of Chicago; would you prohibit the transportation company from charging me more to carry my car to this point 50 miles this side of Chicago than it charges you for carrying your car to Chicago over the same line of road?

Mr. BALDWIN. I certainly should.

#### SAME RATE PER MILE FOR SAME CLASSIFICATION.

I would make a universal rule for each class and classification. It matters not where or in which direction or how it should go, I should make it universal. I think that would come nearer equalizing it, and would be upon a principle far more proper and fair than any other.

Senator PLATT. Do you mean the same rate per mile for all distances?

Mr. BALDWIN. No, sir; not the same rate per mile for all distances; but the same rate per mile for all distances for the same classification.

The CHAIRMAN. How many classifications are there from your Western country now to the Eastern markets?

Mr. BALDWIN. That I cannot answer.

The CHAIRMAN. Do I understand you to mean that you would make the same rates per mile upon the same classification? For instance, take live stock?

Mr. BALDWIN. No, sir.

The CHAIRMAN. Or take grains?

Mr. BALDWIN. Upon that classification I should.

The CHAIRMAN. You would make the same rate per mile whether the freight was going 10 miles or 1,000 miles?

Mr. BALDWIN. No, sir; I think I was not understood before properly. I should not do that in that case.

#### POOLING.

The CHAIRMAN. What do you think of the propriety or impropriety of the pooling that has been indulged in to a considerable extent within the last few years by railroad corporations?

Mr. BALDWIN. I look upon railroad corporations as business men, just the same as other men. I think it is an incorrect basis of business transactions. I am opposed to all pooling. I am opposed to all combination in railroads and other corporations for the purpose of making one portion of the country pay the revenues or the taxation of another. And the pooling system strikes me simply as a business based upon that kind of foundation.

The CHAIRMAN. Then you are opposed to pooling?

Mr. BALDWIN. I am certainly.

The CHAIRMAN. Do you think it would be wise and proper to prohibit, by law, pooling?

Mr. BALDWIN. If you will permit me to explain; there is a principle underlying the pooling system as it is operated now that is quite as good as to exclude it, for the very reason that under the pooling system, while it is a pool, we have uniform regular rates of freight from point to point, if they carry out the pool system. That is, an equal rate of freight.

Senator PLATT. Nobody is discriminated against?

Mr. BALDWIN. No person is discriminated against. If, on the other hand, one or two of the officials in these pools get to quarreling with each other a little they cut a rate. The pool then commences to fight. The result is that I may start a train of cattle from Wyoming to Chicago, and by the time I get to the Missouri River all the cattle that were at the Missouri River are probably run into Chicago on a cut rate. I have known them to go from away in Nebraska at as low as \$10 a car. My cattle start some 600 miles further west. By the time I would get three days down, I come to where I find a large body of cattle ready to come to market. When the cut rate comes these men rush the cattle on to the cars and into Chicago, and by the time I get there I have lost five or six or ten times perhaps what my cut rate amounts to, in the destruction of the market. A general disorganization of the market results. So that it is eventually infinitely better for me, as I think for all other men, to have a stated rate of freight. I would even rather have a uniform rate of freight at a higher general tariff than to have a rate at which a few individuals can, by their action alone, destroy my business.

Senator HARRIS. You think a stable rate is of more importance than a low rate?

Mr. BALDWIN. Yes, sir; decidedly so.

#### THE WHOLESALE AND RETAIL PRINCIPLE.

Senator HARRIS. What is your opinion as to the justice of charging the shipper who ships one car-load from one point to another more per car than you are charged to ship ten or twenty or fifty car-loads from the same point to the same point over the same road?

Mr. BALDWIN. I think it would be doing that man a very great injustice to charge him more than they charge me.

Senator HARRIS. You think the one-car-load shipper should be charged the same price as the one who ships fifty?

Mr. BALDWIN. Yes, sir; except as to the slight difference in the cost. As to the bill of lading for one car, and the labor to prepare and send that car, the expense is as great as on ten, if they were all going to the same place. If my cars were all consigned to ten different persons at the other end of the road there would be equally as much labor pro rata on mine as there would be on the one.

Senator HARRIS. The only difference in the expense to the transportation company that you can see in the case I put is that in the one case the bill of lading would have to be made for one car, and in the other case one bill of lading would cover the shipment contained in fifty cars all going to the same consignee?

Mr. BALDWIN. Yes.

Senator HARRIS. The only difference is the clerical work in making out the bills of lading?

Mr. BALDWIN. Measurably so; there may be other small contingen

ies. I would be very willing, indeed, if I were a shipper of one car instead of ten, to allow enough to pay that difference of expense.

Senator HARRIS. The bill of lading is one single paper in connection with one single shipment?

Mr. BALDWIN. Yes, sir.

Senator HARRIS. While a way-bill accompanies every car-load, does it not?

Mr. BALDWIN. I think so.

#### UNIFORM MAXIMUM RATE.

Senator HARRIS. Is there any other suggestion you would like to submit in respect to this general subject?

Mr. BALDWIN. I have one general idea, and that is, by a maximum rate, made uniform throughout the country, you would do away, in my judgment, very largely with the useless and in many instances worthless and extravagant building of railroads, and lateral roads, &c., where there is no necessity for them, and the pooling of those roads with the general lines, and the supporting of those roads from the general funds of the main line.

Senator PLATT. A maximum rate would not do it as effectually as a minimum rate.

Mr. BALDWIN. To make a maximum rate with the privilege of a minimum.

Senator HARRIS. Do you think that Congress could safely fix one maximum rate for all the roads throughout the United States which are engaged in interstate commerce, in view of the fact that one railroad has actually cost \$60,000 per mile to construct, and costs twice as much as another railroad to operate?

Mr. BALDWIN. No, sir; I do not wish to be understood as making a universal maximum rate simply per mile upon the roads without any reference to the actual expenditure that has been placed upon those roads. I do not wish to be understood in that way. I think a maximum rate should have reference to the actual expenditure in the construction and operation of the roads.

#### CLASSIFICATION OF THE ROADS.

Senator HARRIS. Then you would classify the roads?

Mr. BALDWIN. I certainly would, but upon one general basis, or upon one general principle, based upon the actual cost and operation of the roads.

Senator HARRIS. The cost of construction and operation you think are elements to be taken into consideration in determining what a fair rate would be for transportation over the roads?

Mr. BALDWIN. I certainly think so; yes, sir.

Senator HARRIS. There are many other considerations that should be weighed in fixing the rate, are there not?

Mr. BALDWIN. Yes, sir; there are a good many of them, I think.

Senator HARRIS. Is there any other suggestion you desire to submit?

#### DISCRIMINATIONS.

Mr. BALDWIN. I just recall one idea. You asked me a question about discriminations. The effect of discriminations I can explain a little by reference to one particular transaction of the railroads. That is, they

carry grain at the present time from almost on the western border of the corn belt to Chicago, which is the terminus of nearly all our products, at the same price that they do from the interior of Iowa; some 300 miles distant. On the other hand, in carrying material through Iowa into Nebraska, the railroad companies at the present time charge 5 cents per hundred less on freights carried from Chicago into Nebraska than they do to land them on the west side of Iowa, making Iowa pay her pro rata for the transportation of Nebraska's merchandise, &c., coming into the State of Nebraska. Thus they are building up, as we may term it, Nebraska's interests, and paying her freights, &c., at the expense of the State of Iowa and of other States. We pay the excessive rates of freights.

Senator HARRIS. How do the transportation companies undertake to justify that; upon the general idea of local and through rates?

Mr. BALDWIN. Yes, sir; I think so.

Senator HARRIS. In that case what do you think should be done by the General Government to remedy it, if, indeed, it should be remedied?

#### THE REMEDY THROUGH A COMMISSION.

Mr. BALDWIN. My idea is, as I have represented, that we want a general law by Congress to govern all such measures as that; that one country or one State or Territory shall not be discriminated against as in favor of another.

Senator HARRIS. Do you think that it would be fairly and properly dealt with if a commission were created? Then the statement that you have made, or such statements as any and all other citizens might choose to make, of the exact facts of the case could be submitted to that Federal commission, and it could thoroughly investigate the subject in the light of all that the people and the transportation companies could say in respect to it, and the commission could determine what should be done.

Mr. BALDWIN. I think so. I would take my chances in that direction rather than to leave it as it is.

#### F. N. CHASE'S STATEMENT.

F. N. CHASE, shipper of produce and fruit, of Cedar Falls, Iowa, appeared and said: It will not take me five minutes to tell all I know; and I may perhaps tell all the commission wants to know in less time than that.

The CHAIRMAN. What is your business and residence?

Mr. CHASE. I reside at Cedar Falls, Iowa; I am engaged in shipping.

The CHAIRMAN. What is the character of the shipments?

Mr. CHASE. My shipments are almost altogether interstate.

The CHAIRMAN. What is the character of the goods?

Mr. CHASE. Produce and fruit; mostly that.

The CHAIRMAN. You have been listening to the statements of these gentlemen and to the interrogatories put by the members of the committee. If you have any suggestions that you would like to make to the committee we would be glad to hear them.

#### THROUGH BILLS OF LADING.

Mr. CHASE. I do not wish to take time to go over the ground that has already been gone over. But I wish to speak of one thing that has not

been fully dwelt upon. Perhaps it has been hinted at. That is, the importance of compelling railroad companies to give through bills of lading and to carry the cars through to the destination of the freight without transfer. I know that it is a matter of great inconvenience to shippers to have their goods transferred *en route*, and it often is the cause of loss and delay, or of delay which causes loss. I believe if that can be controlled, as it may be, by legislation by Congress it would be a great benefit to all classes of shippers.

#### POOLING.

Another point is in regard to the system of pooling, without making it a personal matter at all. We know very well that all the Mississippi Valley States produce more than they can consume; and it seems to me that by wise legislation, which might reduce the general rate to the seaboard, either at New York or any where else, it might enable us to put our products into the foreign markets. The system of pooling keeps the price perhaps very little above what it ought to be, but beyond what it might be and still pay a profit to the railroads. I know that in the Northwest, especially among the shippers of wheat from Dakota, you will find perhaps 1 cent or  $1\frac{1}{2}$  cents per bushel or 2 cents per hundred pounds reduction in their freights would put all that wheat into the foreign market, instead of allowing the foreign consumers to either go to Russia or other markets for that product.

The CHAIRMAN. Do I understand you as complaining or believing that railroad transportation on the grain of Dakota and your section of Iowa is too high?

Mr. CHASE. I have no complaint to make.

The CHAIRMAN. I do not understand you to be making any personal complaint; but is that your judgment generally from what you know?

Mr. CHASE. The statement that I wish to make is that by wise legislation in Congress the amount of freight paid to railroad companies should enable them to make a profit that would perhaps be 1 cent. a bushel on all our exporting products less than it is to-day; and that while we produced in 1884 in Iowa, let us say, upwards of 400,000,000 bushels, if that was all to be shipped you can see at once that that would make a vast difference to the State of Iowa; and Iowa is only one of the States tributary to those roads East and West.

The CHAIRMAN. What is the amount of wheat in Iowa?

Mr. CHASE. Our wheat crop is one of the smallest. The corn crop is the largest. The wheat crop last year was 35,000,000, and the corn crop about 260,000,000.

The CHAIRMAN. In your trade where do you ship to?

Mr. CHASE. My shipments are largely from New York to the West, and from New Orleans to the North; perhaps corresponding shipments of produce from Minnesota and Iowa to the South.

The CHAIRMAN. Your fruits and that kind of product you get in New York and New Orleans?

Mr. CHASE. Yes, sir.

The CHAIRMAN. You live at Cedar Falls?

Mr. CHASE. At Cedar Falls.

#### THROUGH BILLS OF LADING.

The CHAIRMAN. Are you able to get a bill of lading from New York to Cedar Falls upon your shipments?

Mr. CHASE. No, sir.

The CHAIRMAN. Where do you get it to?

Mr. CHASE. I get it, say, to Saint Louis if I ship from New Orleans.

The CHAIRMAN. How is it from the other points?

Mr. CHASE. I can get a through bill of lading by special application; but it is not the rule.

The CHAIRMAN. You know of no reason in the conduct of business by transportation companies why you should not be entitled to one in either case, do you?

Mr. CHASE. No, sir. I think the producers and the shippers should be protected in that by some act of Congress.

The CHAIRMAN. When you get your shipments from New Orleans to East Saint Louis you have to get another bill of lading from there, do you?

Mr. CHASE. Another bill of lading from there to Iowa points, and to Minneapolis and Saint Paul, or farther.

The CHAIRMAN. Does your freight coming from East Saint Louis to your home come under local charges or as through freight?

Mr. CHASE. No, sir; it is simply a change in the combination of the railroad companies, the same as it is from New York to Chicago. They change their system west of Chicago.

#### THE LONGER THE HAUL THE SMALLER THE PRICE.

The CHAIRMAN. What is the comparative rate of shipment?

Mr. CHASE. The comparative rate is, the longer the haul the smaller the price.

The CHAIRMAN. Do you have to pay more for your freight from East Saint Louis to Cedar Falls than from New Orleans to East Saint Louis?

Mr. CHASE. That was not the point I had reference to. There would not be much difference in that. The point that I had reference to was that the freight is much less from New Orleans to Saint Paul and Minneapolis than to Iowa points, or to some points in Minnesota outside of those two points I speak of.

The CHAIRMAN. Why should that be?

Mr. CHASE. It is on account of the waterways. The Mississippi River regulates that, and brings the railroad charges down.

The CHAIRMAN. They get a through bill of lading, I suppose, from New Orleans to Saint Paul?

Mr. CHASE. They can by special application only, because they all change. They change in the combination of the companies; that is all.

#### THE REMEDY.

The CHAIRMAN. You say that by wise legislation all these evils that you complain of ought to be cured, or might be. What is your idea of what Congress should do in reference to the subject?

Mr. CHASE. On that point it seems to me that Congress might enact a law by which, as common carriers, the roads should be compelled when they receive freight to give a bill through to destination, and transport it without transfer; in other words, compel the railroad companies to run their cars over other people's roads without regard to pooling and combination points.

The CHAIRMAN. To treat the non-competitive points just as they do the pooling or competitive points?

Mr. CHASE. Yes, sir.

The CHAIRMAN. With that provision of law, what other provisions do you think ought to be incorporated into the act?

Mr. CHASE. I am not prepared to say just what they should be.

The CHAIRMAN. Should a national commission be created, or do you think an act should be passed without one?

#### A NATIONAL COMMISSION.

Mr. CHASE. I should favor a national commission, if it could be limited to a term of three years, or not to exceed three years; that is, the officers composing that commission should not have a longer tenure of office than that.

The CHAIRMAN. Why do you think that ought to be so?

Mr. CHASE. In order to give them a chance to remedy an evil, if there was an evil.

The CHAIRMAN. If the commissioner did his duty, and his term was six years, he would have that chance, would he not?

Mr. CHASE. He could be re-elected or reappointed if he did his duty.

The CHAIRMAN. The President would have that power under any act that would be passed, to remove him if necessary.

#### UNIFORM CLASSIFICATION OF FREIGHTS.

Mr. CHASE. I wish to speak of one other point, and that is, in regard to the classification of freights. It seems to me that it would be very important to compel railroad companies, by some law, to make the same classification for the same distance that they receive the freight from. For instance, if they bill freight from New York to Des Moines, they should guarantee the same classification from Chicago to Des Moines that they do from New York to Chicago.

The CHAIRMAN. As a matter of fact, there are two different classifications between the East and the West?

Mr. CHASE. Yes, sir; the shipper does not know what he can sell goods for in Des Moines if he is not posted on the classification. He makes an arrangement in New York to ship to Des Moines, or some point west of Chicago; and if it is third class from New York to Chicago it may be first-class from Chicago to the western points; which does a great injury to the shipper.

The CHAIRMAN. Do you know any reason whatever why there should not be a uniform classification of freights all over this country?

Mr. CHASE. I do not; I think there should be.

The CHAIRMAN. You think that Congress ought to require a uniform classification of freights?

Mr. CHASE. Yes, sir; to all points that railroads reach.

The CHAIRMAN. Without reference to pooling points?

Mr. CHASE. Yes, sir.

#### PUBLICITY OF RATES, AND NOTICE OF CHANGE.

The CHAIRMAN. Have you thought anything about the question of whether publicity of rates should be required?

Mr. CHASE. I think there should be. I think at least twenty to thirty days' notice should be given of a change.

The CHAIRMAN. You are dealing with New York and New Orleans, and shipping to Chicago, and other points East and South, I suppose. Have you any settled opinion on the question of the long and short hauls, as to whether there should be any legislation?

Mr. CHASE. No, sir; I have no testimony to give on that point.

The CHAIRMAN. Are there any other points that you think of that you would like to speak about?

#### CORRECTIONS OF ERRORS AND OVERCHARGES.

Mr. CHASE. One other point it seems to me ought to be brought into legislation by Congress, and that is in regard to errors and overcharges. I am speaking not for myself now, but particularly for the producers, or farming community; the small shippers. We know very well that it is the system of some railroad corporations to freeze out claims that are made upon them that are legitimate.

The CHAIRMAN. Claims made upon the railroad companies?

Mr. CHASE. Yes, sir; for overcharging. I am not speaking of rebates now, but for errors that creep in, and for overcharges which they are compelled to pay when they receive their goods and put in their claims. I know very well that claims in this State have been of three years' standing, where perhaps myself or some business man would have forced them to a conclusion. Those that are not posted in the matter are forced to wait. I think that should be regulated by law.

The CHAIRMAN. As a matter of fact you now get a bill of lading purporting to cover so much goods. How do these overcharges arise as to shipments from New Orleans or New York to your points?

Mr. CHASE. I should say largely by mistake, clerical errors perhaps.

The CHAIRMAN. It has been represented in some places by some men that those overcharges get in owing to the fact that the shipments went over different lines, and that by the time the freight got from the West to Boston, for instance, there would be a lot of overcharges, and the party would have to pay them in order to get his goods.

Mr. CHASE. He has got to pay them. He may get them back in one year, and it may be longer.

The CHAIRMAN. And pretty frequently they have to give up the effort to get them back.

Mr. CHASE. Yes, sir.

#### J. M. JOSEPH'S STATEMENT.

J. M. JOSEPH, a farmer, of Creston, Iowa, appeared.

The CHAIRMAN. Where do you reside?

Mr. JOSEPH. I reside in Creston, in the southwestern part of Iowa.

The CHAIRMAN. What is your business?

Mr. JOSEPH. I am a farmer.

#### COMPLAINTS OF FARMERS.

The CHAIRMAN. As a farmer and business man in your community do you know of any complaints against the railroad companies with which the people do business in this State?

Mr. JOSEPH. I think I do.

The CHAIRMAN. Let us know what they are in your own way.

Mr. JOSEPH. Between what is called a reasonably remunerative rate on short hauls or local business on the one hand, and the interstate business on the other, we farmers in our part of the country think we are systematically pillaged.

The CHAIRMAN. Tell us how that is done.



Mr. JOSEPH. It is done by charging us an exorbitant rate on interstate business. At least, we think the rate is exorbitant. They charge us a greater rate to our place in Creston than they do through our place to 100 miles farther west.

The CHAIRMAN. To where?

Mr. JOSEPH. To Council Bluffs or Omaha. Our part of the country is a timber-land country. Nearly all the buildings in it are built with timber imported into that country, the villages and towns and farm buildings and all; and until recently we never had anything except a 26 cent rate.

The CHAIRMAN. From where?

Mr. JOSEPH. From Chicago.

The CHAIRMAN. That is, on lumber?

Mr. JOSEPH. On lumber; while to Council Bluffs they have a 12-cent rate, or less than half, for 100 miles greater haul over the same road.

#### DISCRIMINATIONS BETWEEN PLACES.

The CHAIRMAN. Do they ever give any good reason for that kind of discrimination?

Mr. JOSEPH. No, sir; I never heard any reason.

The CHAIRMAN. What is the situation now?

Mr. JOSEPH. I believe they are 3 cents better now.

The CHAIRMAN. They have reduced the rate to you 3 cents?

Mr. JOSEPH. I understand so. I think there is a small reduction.

The CHAIRMAN. Have they reduced the rate to Council Bluffs in the same proportion?

Mr. JOSEPH. I do not know as to that. The rate to Council Bluffs was 12 cents on the 1st of January; and the rate is even higher to our place than it is to Lincoln, in the center of Nebraska.

Senator PLATT. Is Lincoln a competing point; can it get lumber by other roads?

Mr. JOSEPH. Yes, sir.

The CHAIRMAN. Does this same road run to Lincoln?

Mr. JOSEPH. I think not.

The CHAIRMAN. Where do they get their lumber from?

Mr. JOSEPH. From Chicago.

The CHAIRMAN. Still they get it cheaper than you do at Creston?

Mr. JOSEPH. Yes, sir.

The CHAIRMAN. And it is how much farther?

Mr. JOSEPH. I should judge between 200 and 300 miles.

The CHAIRMAN. If you have any figures there that you wish to refer to, you can do so.

Mr. JOSEPH. I just had a letter from a northwestern railroad company giving these rates; that was all. I had that in my hand.

The CHAIRMAN. Giving the rates to your town and then to the other points?

Mr. JOSEPH. No, sir; giving the rates to Council Bluffs and Omaha and Lincoln.

The CHAIRMAN. They are all less than to your town?

Mr. JOSEPH. Less than ours.

Senator HARRIS. Read the statement in that letter that shows those rates to the different points.

Mr. JOSEPH (Reading). "Our present rates on soft lumber in car-loads from Chicago to Council Bluffs or Omaha is 12 cents per hundred, and to Lincoln, Nebraska, 21½ cents. These rates are per hundred in car-loads, regardless of the number of cars."

The CHAIRMAN. Have you any statement showing what they are from Chicago to your point?

Mr. JOSEPH. No, sir; I have not.

The CHAIRMAN. But you know exactly what you have been paying?

Mr. JOSEPH. I know from inquiry from our lumbermen there. I am not in the lumber business.

The CHAIRMAN. They say it is 26 cents?

Mr. JOSEPH. Yes, sir.

The CHAIRMAN. And yet the distance is 200 or 300 miles less from Chicago to your point?

Mr. JOSEPH. Yes, sir.

#### THE RATES TO CRESTON OUTRAGEOUS.

The CHAIRMAN. Is there any other complaint that you desire to make known to the committee?

Mr. JOSEPH. Nothing further than the fact that the rates are outrageous at our place. We, as a people, do not think that a railroad ought to have the right to size us up and charge us what the traffic will bear, and not base their charges at all on the cost of carrying.

The CHAIRMAN. You think that is what they are doing, as a matter of fact, charging you what you can stand?

Mr. JOSEPH. Yes, sir.

The CHAIRMAN. Do they pretend to say that?

Mr. JOSEPH. It is hardly necessary for them to say that.

Senator HARRIS. They say it by the freight bills?

Mr. JOSEPH. Yes, sir.

The CHAIRMAN. What is your judgment as to what ought to be the basis of their charges?

Mr. JOSEPH. I think the first thing necessary is to get at the actual value of the railroad property, and then confine them to a rate that would yield them a reasonable revenue on the value of their property.

The CHAIRMAN. Not to discriminate in favor of one person or one place as against another?

#### RATES TO MEET WATERED STOCK AND BONDED DEBT.

Mr. JOSEPH. That is the opinion that prevails among the farming community of our region. The stock and bonds of the railroads of Iowa is about \$260,000,000, which we think is very largely in excess of the value of the roads; and we are charged a rate not only to pay interest on the bonded debt, but to pay dividends on the stock, and between the two it is about twice as much as we ought to pay.

The CHAIRMAN. You think the railroads have issued watered stock in this State?

Mr. JOSEPH. Yes, sir.

The CHAIRMAN. And they are trying to collect interest on it?

Mr. JOSEPH. And they have put on unnecessary bonds. The bonded debt is too high.

The CHAIRMAN. As I understand it you are willing to pay, on the actual valuation of the property, a rate that would yield them an income as large as anybody else is making in ordinary business life.

Mr. JOSEPH. Yes, sir; I think no one would object to that. They are entitled to a fair per cent. profit on the value of their property, the same as any other business.

The CHAIRMAN. Is there any other point that you think of?

## OVERCHARGES AT NON-COMPETING POINTS.

Mr. JOSEPH. In a general way I do not believe they ought to be allowed to charge non-competing points more than competing points.

The CHAIRMAN. You think the fact that one town has two or three railroads or a waterway ought not to give a transportation company the right to charge them less than they charge you?

Mr. JOSEPH. I do not think so. I do not see on what moral principle the right is based to charge a village an exorbitant rate, where the people are mainly poor people, and give a special or very low rate at some point where they are even better able to pay a higher one. I do not understand on what principle or right they do that. They do it as a matter of fact all through our region of country.

The CHAIRMAN. Suppose a railroad company runs to a competing point where there are two or three railroads or waterways, and it can only get business at all by carrying it at just what it will cost to carry it, and you are at a non-competing point, do you think the railroad company ought to be prevented from taking that freight at just what it will cost to carry it, or at a little profit, possibly, in order to prevent the discrimination between what it takes it for at that point and the point at which you live, a non-competing point?

Mr. JOSEPH. There might be an exception, I think, to the rule that a non-competing point should not be charged more where the railroads would come in competition with waterways. But where the railroads come in competition with each other, I do not think there should be any exception.

## A NATIONAL COMMISSION.

The CHAIRMAN. The business of this State seems to be inter-state, as far as the transportation companies are concerned. What ought to be done by Congress to prevent these evils that you complain of?

Mr. JOSEPH. I think there ought to be a national board of commissioners, with power to employ experts on all the various branches. I see no reason why the General Government, or even the State, should not have the benefit of the knowledge of experts in railroad matters just as well as railroads. These matters are all arranged, if I understand it, by experts who are merely employes of the companies.

The CHAIRMAN. Would you give that commission all the absolute power that, under the Constitution, could be given it, or would you limit it?

Mr. JOSEPH. I would limit it.

The CHAIRMAN. About how much power would you give it?

Mr. JOSEPH. I would limit it in this way, that it should be liable to review by the courts.

The CHAIRMAN. Would you make their finding in a case *prima facie* evidence of their correctness in court? For instance, you are doing business with a railroad company, and you feel that they have charged you extortionate rates, or have discriminated against you, and you appeal to the commission; the commission examines the facts and finds that that is true, and that you have been damaged \$500 say. Would you make that finding *prima facie* evidence in court?

Mr. JOSEPH. Yes, sir; I think there should be a class of cases in which their judgment should be final, but there should be others not so.

The CHAIRMAN. Under our Constitution we cannot have a court with power to enter judgment and enforce it, without making its members life officers. Would you go that far?

Mr. JOSEPH. No, sir; I would not.

The CHAIRMAN. But you would be willing to go as far in a class of cases as the Constitution would allow them to go. Do I understand that to be your position?

Mr. JOSEPH. There is a point there that I hardly feel competent to express an opinion on. It has looked to me as though, on the matters of the stock and bonds of a railroad, and the amount they should be permitted to issue in comparison with the actual cost of the road, it might be a matter that the commission could regulate absolutely, while as to any decision of questions between the people and the railroad with reference to extortion or exorbitant rates they might be reviewed.

The CHAIRMAN. Reviewed by the courts if the parties in interest on either side were not satisfied with the findings?

Mr. JOSEPH. Yes, sir.

#### POOLING.

The CHAIRMAN. Have you any definite conviction in reference to this system of pooling that prevails in the country?

Mr. JOSEPH. I have a general idea. Whether I could express it is the question. My opinion is that they ought to be allowed to pool in order to divide the profits of the business at any particular point among themselves; and that there ought to be a maximum and minimum rate at such points. There should be some flexibility in this matter. That should be under the control of the commission also. It looks to me as though, if they were not allowed to pool, the stronger roads at competing points might very readily destroy the weak ones.

Senator PLATT. And if they were allowed to pool without regulation or provision they might oppress the people?

Mr. JOSEPH. Yes, sir; and that the matter of rates at the pooling points should be under control of the commission through experts on these freight questions.

The CHAIRMAN. You think that if pooling should be allowed it should be subject to the approval or disapproval of the commission appointed?

Mr. JOSEPH. Yes, sir.

#### REBATES.

The CHAIRMAN. Has there been any system of rebates practiced in this State?

Mr. JOSEPH. Yes, sir, I think there has.

The CHAIRMAN. What has been the nature of it?

Mr. JOSEPH. From my own personal knowledge I could only cite one or two instances probably. One of the elevator men in our town (that is, until recently; I believe until the late reduction in the grain rate from 26 to 23 cents) got a rebate of a cent and a half per hundred.

The CHAIRMAN. A private rebate?

Mr. JOSEPH. Yes, sir.

The CHAIRMAN. Is there any other elevator there?

Mr. JOSEPH. There were two.

The CHAIRMAN. Do you know whether the other one got it also?

Mr. JOSEPH. I do not know.

The CHAIRMAN. It was a secret contract, was it?

Mr. JOSEPH. So I understood; a private understanding.

The CHAIRMAN. Between the railroad companies and the manager of the elevator?

Mr. JOSEPH. Yes, sir. This gentleman owns also another elevator at Henderson, on a branch road, with probably 100 miles of greater haul, and he gets a better rate at Henderson over the branch and the main

line to Chicago, and a cent and a half better than the rate at Creston. I think that is another hardship on the farmers in our country.

The CHAIRMAN. Does he get a better rate over his own transactions at Creston?

Mr. JOSEPH. Yes, sir.

The CHAIRMAN. He can even do better than there, notwithstanding he gets a rebate?

Mr. JOSEPH. Yes, sir. His clerks tell me that he can buy a cent and a half better.

The CHAIRMAN. What becomes of the other elevator man there? I should think he would be squeezed out.

Mr. JOSEPH. I should think so, too. I do not know whether he gets one or not.

The CHAIRMAN. Do you not think that that practice ought to be prohibited?

Mr. JOSEPH. I do.

The CHAIRMAN. Absolutely, by law?

Mr. JOSEPH. Yes, sir. I think all rebates, and all special rates also, should be absolutely prohibited.

The CHAIRMAN. You would not leave it to a commission or anybody else?

Mr. JOSEPH. No, sir; that part of it I would not.

The CHAIRMAN. You would put it in a law?

Mr. JOSEPH. I would put it in a law.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. You have already substantially given your opinion on the long and short haul question by the statements you have made as to the discrimination against your town, and as between your town and Henderson, and also Council Bluffs?

Mr. JOSEPH. Yes, sir. I would like to say this on the matter, that I think it is generally understood and conceded by the farming communities that the railroads ought to have the right to charge a greater rate in proportion for a short haul than a long one, but not a greater rate absolutely.

Senator HARRIS. Not a greater rate in the aggregate?

Mr. JOSEPH. Not a greater rate in the aggregate.

The CHAIRMAN. You think that under no circumstances they should be allowed to charge more for a shorter than for a longer distance going from the same point in the same direction?

Mr. JOSEPH. It is possible there might be exceptions; but as a rule I would not allow it.

The CHAIRMAN. Would you put a provision in the law that they should never do it?

Mr. JOSEPH. No, sir; I would not.

Senator PLATT. Suppose you had a law that a railroad should not charge more for a shorter distance than for a longer one; that is, that it should not charge more to Creston than it does to Omaha from Burlington. Suppose they should take advantage of it and charge the same rates to Mount Pleasant, which is a little west from Burlington, that they do to Creston or Council Bluffs. What would you think of that? Would you leave that subject to the common-law rule that they should not charge an unreasonable rate?

Mr. JOSEPH. I would have the matter regulated. I would not make an absolute provision.

The CHAIRMAN. Would you make a law with that provision in it, or would you leave it for the commission to determine?

#### THE PASS SYSTEM.

Mr. JOSEPH. I would leave it to the commission.

The CHAIRMAN. Is there any other point that you wish to speak of? We want you to be perfectly free to indicate all these matters to us. We are now trying to find out from just such men as you what we ought to do.

Mr. JOSEPH. I came down here in a hurry, on short notice, and did not have time to consult with my neighbors, or I might have got some one very much more competent to express the wishes of the people than myself; but I started in a hurry. We do not think in our part of the country that the railroads ought to have the right to create a privileged class of people in this country by means of passes. I am perfectly sure they use this power in our part of the country for political purposes, to suppress the agitation and to keep the people quiet, and that passes do not go to the men who furnish business to the railroads.

#### WHO GET THE PASSES.

The CHAIRMAN. Who get them?

Mr. JOSEPH. I know probably where there are a dozen in our town, and invariably they go to the editors or shyster lawyers or one-horse politicians about the town, men who are supposed to have some legal and political influence and are good at manipulating political conventions and allaying feeling and keeping down agitation. The farmers, who are the source of 75 per cent. of the business of the State of Iowa, have very few of these courtesies, as they are called. They do not get them.

The CHAIRMAN. They go along and attend to their duty and are not running after passes, and do not get them?

Mr. JOSEPH. No, sir; they are not running after them, and they do not get them.

#### PRODUCING A PRIVILEGED CLASS.

The CHAIRMAN. You think that ought to be stopped?

Mr. JOSEPH. Yes, sir; it has a tendency to produce a privileged class, and it is not in harmony with the spirit of our institutions.

Senator PLATT. Do you not think this practice of issuing passes does more than any one thing to keep up the irritation that exists between the people and the railroads?

Mr. JOSEPH. Not more than any one thing; no, sir.

Senator PLATT. It has its effect, however?

Mr. JOSEPH. Yes, sir. What exasperates the people the most, I think, is the fact that under their claim to charge what they please on interstate commerce the roads practically sit down on everybody that they can sit down on.

The CHAIRMAN. It is your unqualified opinion, then, that something ought to be done by Congress on this subject?

Mr. JOSEPH. Yes, sir.

The CHAIRMAN. Because the great business of this country here is interstate business, so far as shipments are concerned?

Mr. JOSEPH. Yes, sir. This is an agricultural State and we are mainly the producers of raw material, and it seems to be the policy of the railroads to keep us producers of raw material. Our troubles and

hardships are not mainly on the stuff we ship out of the State, by any means. The grain has come to be only a small matter even in Iowa. Some might think that was the main thing, but the tonnage on grain in the State of Iowa is less than the tonnage on coal alone, according to the report of the commission.

#### EXCESSIVE CHARGES ON COAL TRANSPORTATION.

The CHAIRMAN. You have a great deal of coal in Iowa?

Mr. JOSEPH. We have an immense amount, but only in the southern portion of the State.

The CHAIRMAN. It is not scattered over the State like it is in Illinois, for instance?

Mr. JOSEPH. No, sir; the coal mainly comes, or a great proportion of it, for Creston, from a station 52 miles east.

The CHAIRMAN. That is in the State?

Mr. JOSEPH. That is on the main line. Lucas, I believe, is the name of the place.

The CHAIRMAN. That is State business?

Mr. JOSEPH. Yes, sir, I understand.

The CHAIRMAN. What is the matter there?

Mr. JOSEPH. Although they have a very large business from that place and ship coal by the car-load to our town, they charge over \$20 or something—I do not remember—for hauling that 52 miles.

The CHAIRMAN. Per car?

Mr. JOSEPH. Per car; yes, sir. In that single thing alone I think it works a greater hardship on us than the shipment of grain.

The CHAIRMAN. Because every man, rich or poor, has to have something to keep him warm?

Mr. JOSEPH. Yes, sir.

Senator PLATT. How much is a car-load?

Mr. JOSEPH. Twenty thousand pounds to 24,000.

Senator PLATT. Two dollars per ton or thereabout.

The CHAIRMAN. You may proceed with any statement you wish to make.

#### TERMINAL AND HAUL CHARGES SEPARATED.

Mr. JOSEPH. I ought to say something about the opinion of folks there, as they discuss it among themselves. We have a farmers' alliance up there. They think the matter might be arranged somewhat as between the long and the short haul by dividing the actual expenses for the haul from the terminal expenses.

The CHAIRMAN. If they were, you think the difference that exists between the long and the short haul might be somewhat reduced?

#### UNIFORM CLASSIFICATION.

Mr. JOSEPH. Yes, sir; and another thing I wish to say is this: We feel that we are imposed on as much in the classification of the business as we are in the rates; that they classify the freights entirely with reference to what the traffic will bear and what we can stand; on the cost of production instead of what it costs to haul it.

The CHAIRMAN. You think there ought to be a uniform classification all over the country?

Mr. JOSEPH. The classification, I think, should be uniform.

The CHAIRMAN. There is no reason, as Mr. Chase indicated here

a while ago, why there should be a different classification on goods shipped from New York to Chicago than on goods shipped from Chicago to Creston or Des Moines.

Mr. JOSEPH. I should think not.

Senator PLATT. Have you ever discovered any rule by which a classification can be made so that it shall be fair and just as between the different kinds of articles transported?

Mr. JOSEPH. The railroads know within very narrow limits, at any rate, what the cost is for carrying. A charge based on anything else than the cost ought to be merely the amount which they would be liable for on the risk of the excessive value of one product over another. For instance, if they charge \$60 to ship a car-load of horses, and only \$20 to ship a car-load of cattle—and that is the rate now from Chicago east, I notice—that is based entirely on the amount the traffic will bear, because the horses are worth more. In case of accident or loss their liability would be greater on the horses than on the cattle, but not to that extent. They ought to be allowed to charge something more, enough more to cover the additional risk of what it would cost to insure the horses over and above the cattle. After that is arranged for, I see no reason why they should be allowed to charge more for horses than for cattle, or for butter or lard. There is double the difference there.

#### DISTINCTION IN FREIGHTS ON LUXURIES AND NECESSITIES.

Senator PLATT. Take this illustration. Cottons and silks are classified as dry goods and go for the same rates per pound. That is, it costs just as much per pound to bring cottons from New York as to bring silks. Is that fair to the community? Ought not the element of who they are intended for, and what class of people are going to purchase the goods, to come in somewhere? Ought the woman who buys a calico dress at 6 or 10 cents a yard to be taxed just as much for bringing it west as the lady is who buys a silk dress and pays \$5 a yard?

Mr. JOSEPH. I think it would be putting a refinement upon it that would be going entirely too far, if you brought it down to so fine a thing as that.

Senator PLATT. That is an illustration which draws the line between what may be called the necessities, which all classes of the community, the poor as well as the rich, have to use, and the luxuries, which only the rich are able to use. Now, ought there to be just the same rate, according to the cost of the haul and the risk of insurance, paid by the poor as well as the rich?

Mr. JOSEPH. I believe so.

#### SPECIAL RATES, OR CONCESSIONS TO LARGE SHIPPERS.

The CHAIRMAN. If you have any other points you would like to bring forward, we would be glad to hear it.

Mr. JOSEPH. On the matter of special rates there was nothing said. We think that special rates ought to be forbidden entirely.

The CHAIRMAN. What do you mean by special rates? Let us see if we understand you.

Mr. JOSEPH. Granting one man here in town a less rate from Chicago or to Chicago on his business than another man.

The CHAIRMAN. You think this giving of commissions to jobbers and wholesale men is all wrong?



## THE UNIT OF MEASURE.

Mr. JOSEPH. I think there ought to be a unit of measure. A car-load should be established by law, and with that taken as a basis every man ought to have an equal show.

The CHAIRMAN. Whether he is a jobber or a retailer or what?

Mr. JOSEPH. Yes, sir; if he buys by that unit of measure it is not the part of the railroads' business to build up any community at the expense of any other town or community.

Senator PLATT. Nor an individual at the expense of another?

Mr. JOSEPH. Nor an individual; no, sir. One of the great dangers to our people here in Iowa is the right claimed and practiced by railroad managers to grant or withhold special rates at their pleasure. If there should be such a thing as a special rate it should not be under the control of the railroad; it should be a matter for the commission.

The CHAIRMAN. It should be a matter to be passed upon by some Government authority?

Mr. JOSEPH. Yes, sir.

## DIVISION OF TERRITORY AMONG RAILROADS.

The CHAIRMAN. Either in the law or to be left to the commission?

Mr. JOSEPH. Yes, sir. I do not know whether it covers the ground or not, but, practically, the railroads of this part of the country claim the right to divide up our country into sections and divisions of country, in which each pretends to claim the entire business of the country.

The CHAIRMAN. They divide you up into districts?

Mr. JOSEPH. Yes, sir; there is a region of country between this road and the one south of it where it is the common language of the people there to call it a dead line. No one dares to build a railroad between those. They say that belongs to the territory tributary to the Rock Island, or it belongs to the Chicago, Burlington and Quincy. It seems to me that there ought to be something done to forbid the railroads from districting the country in that way.

The CHAIRMAN. It does not prohibit you gentlemen from taking your products over either of the roads, does it?

Mr. JOSEPH. No, sir; but it would prevent competition and would prevent their right to charge what the traffic will bear at all non-competing points. We are left practically to their mercy. We feel that it is a hardship, and especially the farming community, that we are charged these rates. The farmers are the sources of the bulk of the business of the railroads in Iowa. According to our commissioners they furnish about 75 per cent. of it, and the burden rests mainly on us.

## REVENUES OF RAILROADS OF IOWA.

We are charged a rate that yields a revenue of over 12 per cent. on the stock and bonds of \$258,000,000 in the State of Iowa; \$35,000,000 are taken from the people of Iowa for railroad rates in a year. We think it outrageous and wrong.

The CHAIRMAN. You mean \$35,000,000 more than ought to be?

Mr. JOSEPH. Yes, sir; it is out of all proportion to a reasonable per cent. on the value of the property.

The CHAIRMAN. What are the total earnings of the railroads of Iowa?

Mr. JOSEPH. Thirty-five million dollars.

The CHAIRMAN. You would not deny them any of that?

Mr. JOSEPH. Oh, no; their net revenues are over \$12,000,000 in the present year.

The CHAIRMAN. How much ought they to make on their investments in railroads in this State?

Mr. JOSEPH. I do not pretend to know what the railroads are worth; but I think that it is pretty generally known their actual value is not worth more than half what the stocks and bonds amount to.

The CHAIRMAN. You think the balance is watered stock?

Mr. JOSEPH. It is not in the shape of stock; it is in the shape of an enormous bonded debt.

#### THE CAPITALIZED AND ASSESSABLE VALUATIONS.

Senator PLATT. What do you say the bonded debt and stock of the railroads is?

Mr. JOSEPH. About \$260,000,000—\$258,000,000 according to the commissioner's report last year. At the same time their taxes—that is one of our hardships, but it does not come under your commission, I suppose—are on a basis of \$30,000,000, which is less than the actual revenue that they get in one year from the State.

The CHAIRMAN. Who fixes the assessed valuation?

Mr. JOSEPH. The executive council.

The CHAIRMAN. The State government—the State officers?

Mr. JOSEPH. Yes, sir.

The CHAIRMAN. How much in excess is that \$12,000,000, in round numbers, of what they ought to make out of the business of Iowa?

Mr. JOSEPH. I have not figured the per cent. lately.

The CHAIRMAN. What per cent. are they getting now?

Senator PLATT. A little less than 5 per cent. profit on their stock and bonds.

Mr. JOSEPH. Net; yes, sir.

The CHAIRMAN. You say that it is very few who are getting 10 per cent. practically, except the roads?

Mr. JOSEPH. Even 10 per cent. is very largely in excess of the average profits of farmers.

The CHAIRMAN. And of business men generally?

Mr. JOSEPH. Yes, sir.

Senator HARRIS. How does your executive council ascertain values in their assessments? Do they take the testimony of the owners of the property as to what it is worth, or do they determine that for themselves, without such a statement?

Mr. JOSEPH. I do not know.

The CHAIRMAN. It is first assessed by the local officers; is it not, and then that comes up to the State members?

Mr. JOSEPH. No, sir.

Senator HARRIS. Did I understand you correctly when I understood you to say that the stock and bonded debt amounted to \$258,000,000 on your railroads?

Mr. JOSEPH. Yes, sir.

Senator HARRIS. And that the assessment for taxation was \$30,000,000 in the aggregate?

Mr. JOSEPH. Yes, sir.

Senator HARRIS. A difference of \$228,000,000?

Mr. JOSEPH. The assessment is about one-ninth of the sum on which they draw revenues.

## H. C. COLVER'S STATEMENT.

H. C. COLVER, grain merchant, of Des Moines, Iowa, appeared.

The CHAIRMAN. What have you to say about the management of railroads here? Are there any complaints, and, if so, what are they?

## EFFECTS ON CORN TRADE OF CHANGING RATES.

Mr. COLVER. There is one thing that I had thought of, and that was the changing from time to time of rates, which is very detrimental to our business, in this way: In the fall of the year we buy our corn in the country and crib it. We buy it based on a certain rate of freight to the sea-board. We keep that corn in cribs until perhaps late in the summer before we ship it. When we get ready to ship it, very frequently the rates of freight are changed; not so much on the Western railroads as east of the Mississippi. So, for instance, if we buy 25,000 bushels of corn, and we have bought it based on 15 or 10 or 20 cents per hundred, when we get ready to ship that, if the railroads have seen fit to raise their rates of freight, we are simply at the mercy of the railroads; not, as I say, so much on the Western railroads as east of Chicago, where we place our grain finally at the sea-board. That is one of the points which, it seems to me, can be fixed; in other words, a rate of freight can be fixed so that we will not be liable, when we have bought a thing at a certain price, to get 3 or 5 cents a bushel less because of the change of freights.

The CHAIRMAN. Would you not be in favor of fixing the rate at the beginning of the year, for instance, with no power to change it before the expiration of that year?

Mr. COLVER. I think the crop year should determine the rate of freight.

Senator PLATT. It should be changed during the crop year?

Mr. COLVER. No, sir.

## A COMMISSION TO FIX RATES.

The CHAIRMAN. How would you have that rate fixed?

Mr. COLVER. I have thought that a commission that had power to act could fix that rate of freight.

The CHAIRMAN. Would you have them fix it, or would you allow the railroad companies to fix it, and then not let it be changed except by the consent of the commission, and upon notice?

Mr. COLVER. I should not have any change made without sufficient notice, say, thirty or ninety days; and I should have it arranged or changed upon the testimony of experts from both the railroad companies and the commission. I do not think it is a matter that can be determined by any one body of men. I think the railroads should have a fair hearing on it.

Senator HARRIS. I wish you would state when you would have a crop year begin and end.

Mr. COLVER. The crop year would commence in this country from the time the corn was picked, say, the month of October, and continue until the following May or June. That would determine the corn crop. The difficulty we get into is this, that when we are buying grain based on the tariff rate of freight, or any rate of freight, we have no assurance that before the crop year ends we can place that grain on the

market without a raise, or rather a change, in the freight. I was going to say that I have no faith whatever in railroad pools.

The CHAIRMAN. Do you think pools ought to be prohibited by law?

Mr. COLVER. I do.

#### IMPORTANCE OF STABILITY IN RATES.

The CHAIRMAN. You think that the rates ought to be made stable?

Mr. COLVER. I do.

The CHAIRMAN. Is it or not, in your judgment, as a grain shipper, more important to men in trade that freight should be stable than to have it one cent higher or one cent lower?

Mr. COLVER. Yes, sir; I think it is more important that the rates should be stable.

Senator PLATT. Do you think it should depend at all upon the volume of the crop? That is, should it be the same with a very large crop and a very small crop?

Mr. COLVER. I think that that should be arranged. Yes, sir, I think that in a short crop year a very material difference in the market price of grain has a great deal to do with the carrying charges. In a large crop year railroad companies have always carried grain cheaper than in a short crop.

Senator PLATT. There is no injustice in a change being made with reference to that?

Mr. COLVER. No, sir. The point I wanted to make particularly was that the stability of railroad freights is a very important thing to grain buyers in this section of the country. Without stability of rates we have no recourse whatever.

Senator PLATT. If you know the rate is going to be the same during the crop year, and that every man is going to get the same rate of freight, then everybody is on an equality?

Mr. COLVER. Yes, sir.

Senator PLATT. And they can all do business?

Mr. COLVER. Yes, sir.

The CHAIRMAN. In your shipments of grain do you ship right through to New York, or do you have to ship to Chicago?

Mr. COLVER. No, sir; we ship everywhere. We ship as far as we can reach a market.

#### THROUGH BILLS OF LADING.

The CHAIRMAN. Does your grain stop at Chicago and have to be re-billed, or does it go right through?

Mr. COLVER. That depends entirely upon what car it is loaded into. If we load into a line car at our stations, that car can be billed right through to New York, Philadelphia, Newport News, or any place.

The CHAIRMAN. What do you mean by a line car?

Mr. COLVER. I mean a car that has an eastern terminus.

The CHAIRMAN. A red or white or blue line?

Mr. COLVER. Yes, sir; the Baltimore and Ohio, or the New York Central, or Hoosac Tunnel. Any of those that come to this country that we load as a line car. Frequently we run those cars to Chicago. That is a privilege granted us. But where we have a shipment arranged to go to the sea-board we understand that it is to go through in a line car, and billed through.

Senator PLATT. If you ship to Chicago does the freight stop there,

as far as you are concerned, or does it go on through to New York? In other words, do you ship to a sea-board point through Chicago?

Mr. COLVER. Not necessarily. We can ship around Chicago.

Senator PLATT. Suppose your shipment is to a sea-board point, would it have to go to Chicago?

Mr. COLVER. It would depend altogether upon what road we started on.

Senator PLATT. You can get through shipments by way of Chicago?

Mr. COLVER. Oh, yes, sir.

The CHAIRMAN. Is there any other point that you wish to speak of?

Mr. COLVER. Nothing, except that I think stable railroad freights a very important thing, and that, in my own opinion, it ought to be regulated by a commission.

#### PUBLICITY OF RATES.

The CHAIRMAN. Would not the requirement that rates should be published have a tendency to make them more stable?

Mr. COLVER. Yes, sir.

Senator PLATT. Suppose you want to ship grain to New York, you could do so without sending it through Chicago?

Mr. COLVER. Yes, sir.

Senator PLATT. Or you could ship it through Chicago?

Mr. COLVER. Yes, sir.

Senator PLATT. Do you get the same rate in either event?

Mr. COLVER. It depends altogether upon whether it goes over a pool system or an outside road. We have some roads that are not in the pools. In that case we ship it around Chicago.

Senator PLATT. Do you get a better rate from the roads that are not in the pools than from the roads that are in the pools?

Mr. COLVER. As a rule we do; yes, sir.

#### C. F. MEEK'S STATEMENT.

C. F. MEEK, of Des Moines, Iowa, superintendent and division freight agent of the Wabash, Saint Louis and Pacific Railroad Company, appeared.

The CHAIRMAN. You have been listening to the discussion about this question of interstate commerce and the management of railroads. What have you to say upon the subject?

Mr. MEEK. I do not know that I have anything special to say. I suppose the railroad interests will be represented by a much abler man than I, one of much greater experience. I should be glad to answer any questions you might ask with reference to the situation in the West.

#### CHARGES OF DISCRIMINATIONS ANSWERED.

The CHAIRMAN. It is charged that on some of these roads it costs more to get a car-load of lumber, for instance, from Chicago to Creston than from Chicago to Council Bluffs, or Lincoln, Nebr.

Mr. MEEK. I heard the gentleman make that statement. I think he is to a certain extent incorrect, or at least that he does not comprehend the situation in all its bearings. The rate to Creston from Chicago is not 26 cents. I dare say it is about 21 cents. The rate to Council Bluffs may

be 12½ cents on Western shipments, which, at Council Bluffs or Omaha, take an additional local rate. That is necessary to place Nebraska and Western points within reach of the market, so that they will not be paying an exorbitant rate. You cannot remove Nebraska from Chicago on a mileage basis. That is to say, points in Nebraska should not be charged a rate comparatively high with the points in Iowa, because of the increased distance. That would put the consumers of Nebraska on a basis that they could not endure. I think the gentleman will find, if he should investigate it, that the lumber is laid down in Nebraska on about equal terms with his people.

Senator PLATT. In the interior of Nebraska?

Mr. MEEK. In the interior of Nebraska; yes, sir. The rate on lumber to Council Bluffs, or Omaha proper, is higher than it is to Creston. It may be that roads running into Omaha have found it advisable to make that a point of distribution. The requirements of the immediate territory around Omaha may be such that a special rate is necessary; and I dare say it is so, because that is one of the trade centers. We must recognize trade centers in the West.

#### TRADE CENTERS MUST BE RECOGNIZED.

The CHAIRMAN. You say you must do it?

Mr. MEEK. Certainly. Originally we had seven trade centers: New York, Philadelphia, Boston, Baltimore, in the East, and Chicago, Cincinnati, and Saint Louis, in the West. We cannot confine the distribution of all the commodities to those seven trade centers. They were competent to do it, and there was not much friction when there was no business west of the Mississippi River, and when there was nothing west of the Missouri River. But now we have a continuous settlement, and the country is settled thickly all the way from the Pacific to the Atlantic coast; and, in my judgment, the interior distributing points have to be recognized.

The CHAIRMAN. You speak of trade centers as they originally existed, and of their increasing as the movement of population goes West. What, in the estimation of railroad men, is a trade center?

Mr. MEEK. Facilities for distribution, and for the reception of products.

The CHAIRMAN. By the locality?

Mr. MEEK. By locality and transportation facilities.

The CHAIRMAN. Are these trade centers created for the benefit of the people, or are they created as a matter of convenience to the railroads?

Mr. MEEK. I suppose, as a rule in this country, the railroads would prefer a long haul, and, therefore, it cannot be said that the railroads create trade centers for their convenience or profit. The ambition of man and of localities is generally responsible for the creation of trade centers. For instance, here is Des Moines, with eleven distinct railroads. It cannot be said that it is not naturally now a trade center. I do not mean naturally, but it is created a trade center by the force of its facilities. There is not a point in Iowa that we cannot reach from Des Moines. What is true of Des Moines, in Iowa, is true of Indianapolis, in Indiana. It is true of the various interior points that are reached by several different railroads.

The question comes up, how are you going to maintain an equality between the interior distributing points and the sea end of distribution?

I answer that, by giving them the same advantages in all directions. You cannot ignore the interior distributing points and favor the main end or the sea end of distribution, and develop your country in proportion to the demands and requirements of the people of the Western territories.

#### VALUE TO COMMUNITIES OF TRADE CENTERS.

The CHAIRMAN. Do you think there is anything in the interests of the public that determines you, as a railroad man, to build up Des Moines, for instance, and make it a great center, and discriminate as between it and the little towns out along these railroads in charges for freight?

Mr. MEEK. Probably that question could not be answered satisfactorily to every one; but you will admit that a station having 100 or 200 inhabitants with but one line of railway has no right to aspire to the same prominence or has no right to aspire to distribute business to its surrounding territory. It has no way to reach it. I will say in connection with that that the business men or the people in the smaller towns having but one railway would much prefer to have their point of distribution near at hand. It is more convenient in many respects. They are acquainted with the people with whom they deal; they know that they can get their freight quickly, and therefore they do not have to lay in such a large stock. It does not take the time to transport it to them from the point of distribution that it does from Chicago or New York or Philadelphia, or to points in their vicinity, or in the vicinity of the interior distribution points.

The CHAIRMAN. So that you think it is in the interest of the people generally that a point like this, for instance, should be made a great distributing point?

Mr. MEEK. I do.

The CHAIRMAN. Even though the people out on the lines of this road in small towns should be discriminated against in the price of transportation?

Mr. MEEK. I do not regard that as discrimination.

The CHAIRMAN. But if a load of lumber coming from Chicago to Creston costs the owner more for the transportation of it than to a man at Council Bluffs, 100 or 200 miles farther on, is not that a pretty distinct discrimination?

Mr. MEEK. That would be discrimination; but in my knowledge and my experience I have not known of such a fact. They have wrong ideas about the practice of railways in that respect. I think that railways do all they can; in fact, they have studied and labored for years to get a fair compensation for what they do and satisfy the people. It is for the interests of the railways to satisfy the people, and I believe they strive to do it. And a man at Creston cannot look over the entire situation as a man at Chicago who is making a rate.

It is a good deal like a train dispatcher, or a good deal like a general of an army. The train dispatcher has cars here and cars there, and he knows what central point he wants to construct. So with the man in Chicago making a rate. He knows all the situation in all its bearings. He may not be able to decide the entire question to his entire satisfaction; at the same time he sees the situation more clearly than a man at Creston; and probably in justice to his company and in justice to his patrons he decides the question to the best of his ability. It is impossible, of course, to satisfy every one.

## COMPETING LINES OF IOWA.

I will say in regard to this Creston matter that you will see by looking at this map of Iowa that there are at least six lines of railways running parallel with each other a short distance apart all through the State. Here is the Chicago and Northwestern and the Milwaukee and Saint Paul on the north. Then comes a branch of the Chicago and Northwestern; then the Illinois Central, then the Northwestern again; then the Milwaukee and Saint Paul, and the Northwestern, and the Milwaukee and Saint Paul, and Rock Island. Then the Chicago, Burlington and Quincy in the south, with several branches radiating all through the State.

Senator PLATT. All reaching to Omaha?

Mr. MEEK. Yes, sir; and all reaching Des Moines. You will see at once that every local point in Iowa is a competitive point. Creston is a competitive point. It is more dangerous as a competitive point to the Chicago, Burlington and Quincy than Des Moines. A rate cut at Creston might disturb the entire rate system in Iowa on every line of railway. I can cut the rate at one of my stations and the effect of it will reach the northern and southern and western and eastern borders of the State. Why? Because the man at the next station wants the same rate; and he gets it if he can prove that I make the rate. And the people at the next station want the same; and that spreads out in all directions. So that you see, by looking on the map, that every point in Iowa is an absolutely competitive point, and a very dangerous one, too. It is the most dangerous kind of competition. I have stations out west of Des Moines, say, that are within 7 or 8 or 10 miles of roads on each side of them. We have divided between us a territory say of 12 miles. That gives me 3 miles on each side. Suppose I cut a rate on grain to Chicago, or suppose my customer is dissatisfied, thinking I do not treat him right, he can go to the Rock Island, or Northwestern, or Milwaukee and Saint Paul and get a rate that will satisfy him, if he represents that I have done so and so, especially if he misrepresents it, as they do always when they want anything very bad. They will say, "The Wabash is doing so and so, over in their territory, will you meet it?" They say, "Yes, we will meet it and make you a like rate." I believe, in treating these people we should be perfectly frank. I am not a railroad man who believes in concealing our situation. I think frankness is the only way to deal with this question. It is a question of the greatest magnitude of any occupying the attention of the people to-day.

## POOLING.

With reference to pooling, you can see if Iowa were pooled at fair rates it would be better for the people; that is, if the whole State were pooled. Take and make a pool of every railroad in the State under a direction of the law and it would be better for the State. Why? Here are half a dozen gentlemen coming in here and testifying that their business is daily injured by the rates being unsettled. Pools are not made to maintain high rates, or to make extortionate rates. They are made for the purpose of maintaining fair and equitable rates, and for the purpose of keeping from destruction property that is valuable to its owners, but more valuable still to the country. Railway systems are just as important, and their efficiency is just as important, to every town and every man in Iowa as to their owners in paying dividends. I think that it would be well if we co-osi-



ively maintain rates, so that the pressure could be met that is constantly brought to bear by shippers to demoralize the rate system. I tell you they are all demoralizers when it comes to rates.

The CHAIRMAN. You mean by that that they all want to get a lower rate than the public rates?

Mr. MEEK. Yes, sir; and they have different devices that are not altogether legitimate for doing it. I do not make any reflections on them, but I say that is a fact and that is the trouble. It is what is troubling our railroad managers to-day, and is what causes them to meet day after day and night after night to devise some way to protect their systems and to protect their revenues; and in doing so I think they are doing their duty not only to the stockholders but to the people themselves, if the people would appreciate it.

There is a great deal of mystery connected with railways in the minds of some people; but if they would look at it as a simple plain business proposition they would see there is no mystery connected with it. I do not believe there is a railway in Iowa to-day that has a manager or officer who would willingly extort from any shipper in Iowa.

#### UNIFORM CLASSIFICATION.

As to this question of classification of interstate commerce it may be a little out of my province to speak of it.

The CHAIRMAN. No; it is not. We should like to get your views, if you understand the question of classification.

Mr. MEEK. Of course there are wiser men in the railway business than I am, and older, but I know something about those things. Commodities of a similar kind that go across the continent I think should take a like classification.

The CHAIRMAN. You see no reason why it should not be uniform?

Mr. MEEK. I see no reason why there should not be a uniform classification or uniform classes of articles. There are stations in the different parts of the country that require a different classification on some articles. Take the South, for instance. Take the refrigerator business in the South to-day, where it is very hot. There is greater risk in transporting the commodity, and more expense, and expense of additional ice and all that; and so it ought to take a higher classification. Take it where the coal and iron interests are excessive, as they are between Pennsylvania and New York. A good deal of coal is going back and forth, and coal is going from Pennsylvania to the West for short distances. A lower classification on coal is in order there than on the same commodity here, because there is more of it. I have heard stated here this morning that wheat and corn should take the same rate and same classification east of Chicago as it takes here; and the gentleman gave as a reason for that that these roads here had all they could do. That is not the case. There is not one of them that has all it can do or all it ever could do where sufficient power could be applied. In 1876 or 1875, where there were three lines of railroads, or possibly four, they all had all they could do. Why? Because they had a great territory and it yielded all they could carry with their facilities, but increase their facilities, as they might, and they could handle nearly all that could be produced. So that where there is a great bulk of stuff to handle you can afford to make a lower classification than where it is not so great; but on merchandise or on manufactured articles I believe the same classification ought to apply all the way through. Classifica-

tions are made on the basis of value, on the basis of bulk and size and risk. A great many things have to be taken into consideration. I say the makers of classification have a great responsibility on them. They, of course, make additions or subtractions from the value of everything that is transported.

#### CLASSIFICATIONS EAST AND WEST OF CHICAGO.

The CHAIRMAN. Why do they make a difference of classification between the East and Chicago and from Chicago west?

Mr. MEEK. They have different ideas, that is all. There is no reason on the same commodity. Take furniture, for instance. On some articles of furniture the rate east to Chicago is double first class; west of Chicago it is first class and a half. There is no reason for that. There is no greater risk east of Chicago, or greater responsibility; and it does not cost them any more. In fact it does not cost them so much; and I know of no reason why the classification on all such articles should not be uniform throughout the United States. If there is a difference the difference might be made up to the railroads in the rates.

#### CLASSIFICATION AND RATES MUST BE FLEXIBLE.

You cannot make an inflexible system of classification. You cannot make an inflexible system of rates. It must all be adjusted according to the situation. The present situation is what is puzzling the railroad managers to-day. It is a complex one. They cannot comprehend it in all its bearings, because there are so many bearings. In my own limited experience in Des Moines, I make an arrangement or rate with one shipper for a certain object, and an hour possibly has hardly gone by before some one comes to demonstrate to me that I have made a mistake, because I have brought the first man into conflict with somebody else that has an equal rate. How am I going to remedy that? If they are under like conditions and circumstances, I should treat them just alike. But suppose they are not. Suppose one has a natural advantage over another and I am asked to make up that advantage. Should I do it? You would not answer yes, because it would be at the expense of the railroad companies. But what is the settlement of that question? That is what is troubling us. The people expect railroads to make up their disadvantages to compete with people who have natural advantages. I do not know anything that better shows the magnitude of this question.

#### A NATIONAL COMMISSION.

You propose a national commission. I dare say a national commission could be very useful. I think, to a great extent, it would be very effective. Why? Because they represent, or they ought to represent, the people's interest on the one hand, and the railway managers represent the railway interest on the other; and in their coming together I think a commission with advisory powers and certain defined powers would be an excellent thing and would help the railroads. The fact is that railroads need more protection against railroads, as a matter of fact, than the people do against the railroads. I think if a commission had power to fix minimum rates it would be a great advantage to railroads.

## MAXIMUM AND MINIMUM RATES.

he CHAIRMAN. Would you give them the power to fix maximum rates at the same time?

Mr. MEEK. Yes, sir; I would. But I would make that advisory. If we're going to pass judgment upon it I should make the commission advisory on the matter of maximum rates.

Senator HARRIS. And you would make it absolute in the matter of minimum rates?

Mr. MEEK. Yes, sir; and they ought to be advisory in the matter of classification. For instance, a classification should be prepared by a competent railroad man and submitted to a board of national railway commissioners. It should be necessary to receive the approval of the national board before that classification was adopted. That, you see, is the national commission power. Probably that power would be expected in the maintenance of the minimum rates. It might be objected in receiving their co-operation in the execution of their decision with reference to individual claims. I think the way to treat this matter is for the railroads to be perfectly frank. They have property that is got to be protected. It has got to the time when railroads must be protected against themselves, and against the people, too. Why? Because the people are constantly bringing pressure to bear on railway officials that corrupts them, and corrupts them against their own property. It brings them into a demoralized state that is positively injurious to their property, and hence to the territory through which it is.

The CHAIRMAN. Do you not think the people need a little protection against them?

Mr. MEEK. Of course your national commission would be a protection for the people against the railroads.

## THE LONG AND SHORT HAUL.

The CHAIRMAN. There has been a good deal said here in your hearing upon the question of long and short haul. I would like to hear your views about that in the practical operation of railroads.

Mr. MEEK. As a matter of course the cost is reduced as the distance increases in transporting. Proportionally, everybody admits there would be a less cost for a long haul than for a short. As a general rule no one will admit that a less charge should be made for a long haul than for a short haul. But there are necessarily conditions under which a less charge ought and must be made. I do not see how you are going to get around it.

The CHAIRMAN. What are those conditions?

Mr. MEEK. One condition will be the requirements of a trade center or a center of distribution. Another condition would be the relation of commodity to a certain location. Another would be the same condition that governs supply and demand. For instance, I recall one case it was cited this morning where a man had a car-load (I have forgotten now what kind of produce or articles it was) to transport to a station this side, say of Chicago, and a greater rate was charged him.

The CHAIRMAN. A greater aggregate amount?

Mr. MEEK. A greater aggregate amount was charged to him to that point than was charged to him to Chicago. Why? Because that product went into Chicago to be distributed on farther east, and it would take an additional local rate. Could we reasonably charge more,

or the same, for the haul to Chicago, that article having to take on an additional rate to reach its destination, and keep within a reasonable limit of cost to the consumer? Could we reasonably charge the same as we charge to Chicago? That is one illustration. The same is true on every article that comes to Des Moines, or every article that goes to a distributing center. It takes on an additional local rate there, and possibly, for convenience to the territory contiguous to it, it would have to go back 35 or 40 or 70 miles in the same direction it came, and receive there a local rate. I cannot think of other instances now, without any preparation whatever. I did not know until last evening that the gentlemen wanted me to appear. But there are thousands of cases and circumstances where a less charge for a greater haul is warranted than for a shorter haul.

Senator PLATT. Let me see if I get your idea. You think it is necessary for the business interests of the State of Iowa, for instance, that there should be a distributing center at Des Moines; and that in order to maintain that distributing center here you have to give it lower rates from Chicago than you would give to a place 12 miles east of Des Moines; and that that place gets its benefit from the fact that the distributing center is Des Moines?

Mr. MEEK. You have my idea to a certain extent. On certain articles I do not say that that rule should be applied; but on other articles it ought to be applied. They can only be known as they come up in the routine duty of railroad work. But they come up very frequently. I might recall something now that would illustrate that. For instance, a car-load of agricultural implements, general implements and parts of implements, comes from Chicago to Des Moines. At Newton they have small dealers who are constantly requiring pieces of machinery, parts of machines, parts of reapers and parts of mowing machines. Now, this house in Des Moines supplies them. Why? Because they are not large enough dealers to buy a car-load, and they have necessarily to call upon this place because they can get it quickly. Parts of machines are needed quickly, for repairs, say. The party has to get that part of machinery here. If the man at Des Moines has to pay a greater freight from Chicago to Des Moines than is paid to Newton, and pay a local rate from here to Newton, that man has got to pay the difference or else be subject to the inconvenience of getting his part of the machine from Chicago at greater loss of time. I do not know whether or not that illustrates the point to the Senator clearly enough. That same rule applies in a great many other commodities.

Senator PLATT. Whether you make the rate to the town next east of Des Moines, to illustrate, too high, or whether you make it just what it ought to be, it comes to the question of what is a reasonable and fair rate under all the circumstances and conditions to that town through from Chicago?

Mr. MEEK. Yes, sir; the policy of these roads is not to make a lower rate to Des Moines than is made to Newton. Why? Because the Rock Island road prefers to do its business on a long haul from Newton to Chicago, where, if it is done from Des Moines, the business that comes into Des Moines may come over some other line than the Rock Island. They may only get the local rate from Des Moines to Newton.

Senator PLATT. Is there not some way in which the railroad managers can reach the people and have a fair conference with them and satisfy them, or let the people satisfy the railroad managers that one or the other is right or wrong? Is there not a sort of stand-off feeling between the railroad managers and the people which leaves a middle ground for contention, and strife, and irritation?

Mr. MEEK. No, sir; not between the people and the railway managers. I dare say if any railway manager in Iowa could meet any citizen of Iowa, having business to do with him, he could satisfy him perfectly that he was a decent, fair man, while before meeting him the citizen might think he was a very mean one. One trouble is this, and one thing that has alienated the people from the railway managers and officials is the conduct with which they meet daily and constantly from the railway employes. There is a certain class of employes that offend people. I have known agents employed by railway companies who were absolutely discourteous and impolite to people. They might see the wrong man, and so alienate him, and get him so mad that he would never get over it, and he would think the railway manager was of the same kind, and this was his legitimate offspring.

Senator PLATT. Do not some railway people see the evil of that and insist upon an absolute courtesy on the part of employes?

Mr. MEEK. Yes, sir; I think that is growing. I think that railways are daily appreciating more the necessity of compelling their employes to meet the people in a fair, honest, and courteous way.

Senator PLATT. And in an open way?

Mr. MEEK. And in an open way. I believe that railways will succeed better when they commence to deal openly and frankly with the people, and do not have these mysterious secrets. I do not believe in them.

#### REBATES.

The CHAIRMAN. You do not believe in the rebate system?

Mr. MEEK. No, sir; I do not. If you are going to make special rates make them openly. The trouble is to draw the line on the special-rate business. You will see in Des Moines certain houses that do a wholesale and retail business at the same time. The exclusive jobbers do not think those houses are entitled to that, probably; and the retailer thinks so a great deal more strongly. He thinks that the wholesaler gets his business in on a wholesale or special rate, and that he ought not to be allowed to compete with him in the retail business. That is correct. I have thought a great deal about where you might draw the line in that business. I do not know that I am able to decide. It is a difficult question. That is what is troubling the people; but I think there is one matter I would bring up. There is one class of rebates that I might admit—the making of a minimum number of car-loads on which a special rate might apply. But make that contingent entirely upon the shipment. Or, unless you are satisfied of the quantity that is going to follow, let the rate be the regular tariff rate; and at the end of the year, or at the end of the month or six months, or a week, if it is a large shipment to be shipped immediately, make the special rate by rebate.

Senator PLATT. Let me see if I get your idea: You think it would be just and right and fair to make an arrangement with a shipper that in case he ships so many thousand tons during the year he should have a certain rebate, but you would make that open to everybody. Is that the idea?

Mr. MEEK. Yes, sir.

Senator HARRIS. But you would reduce rates in proportion to the number of tons or the number of car-loads shipped by one individual during a specified time as against all the other individuals who shipped car-loads, but in less numbers?

Mr. MEEK. Yes, sir.

Senator HARRIS. Do you think that is justifiable and fair?

Mr. MEEK. I do, because here is a retail dealer in Des Moines who gets his greater profit from the fact that he is a retailer and is dealing directly with the people. Why is it not as fair as it is for the wholesaler to receive better rates from the manufacturer than the retailer does, or that the retailer shall receive better rates from the wholesaler than the people can? The same principle applies.

#### CONCESSIONS TO LARGE SHIPPERS.

Senator HARRIS. One answer to that question would be the fact that the private individual is not subject to supervision by the Government in his transaction, while the common carrier is a public functionary and has public duties to perform and is subject to the supervision of the Government. Should the Government, in exercising that power and supervision, exert it to enable you, as a common carrier, to discriminate between the man who ships a thousand car-loads in a month and a man who ships 100 car-loads in a month over the same line from the same point to the same point?

Mr. MEEK. Then the question arises, what will best develop the country; what is the best public policy? That question comes up, and we must settle it. The private individual must make the sacrifice. If not, where are we to go? We are bound to stop our growth, to stop our progress and improvement. It is a question of public policy that must sooner or later be decided.

Senator HARRIS. You are quite right in putting it upon the broad ground of public policy. That is what we are inquiring into. Do you think the policy of the Government would be more wisely exercised in authorizing common carriers, which are public functionaries, to discriminate in favor of the large shipper as against the small shipper?

Mr. MEEK. Yes, sir; I do.

Senator HARRIS. Is not the inevitable tendency of such discrimination to freeze out the small, and increase the power of the large shipper?

Mr. MEEK. No, sir; because the same opportunities are open to all.

Senator HARRIS. Open to all who chance to have their millions to back them?

Mr. MEEK. Of course a fellow has to get the first hundred thousand.

#### WHOLESALE AND RETAIL PRINCIPLE.

Senator HARRIS. In that struggle to get the first hundred thousand in the march to the millions, with the discrimination made by the manufacturer and the wholesale dealer in favor of the large purchaser as against the small purchaser, followed up by the discrimination of the common carrier in giving the large dealer in competition with the small dealer better rates, do you not make it very much more difficult for the little fellow to get up to his \$100,000 than it would be if they were put on equal terms?

Mr. MEEK. Is not the smaller man constantly making his profit with the people, with his patrons? And, in accordance with business rules and principles, should he not be increasing his wealth all the time? Should he not expect to get a fair interest on his investment, a fair compensation for his time and labor? Hence, he is growing constantly. We cannot all be wholesale dealers; we cannot all be big manufacturers. There is no use talking about that; there has got to be a certain amount of smaller dealers, and small factories and consumers. We cannot all manufacture; we cannot all aspire to have special rates.

Senator HARRIS. The trouble with me is this: here are the large and small dealer in the town of Des Moines in competition with each other, one operating with his million of capital and the other with his \$15,000 or \$20,000 of capital. Now, if the large dealer gets better terms in the purchase of his goods, and, in addition to that, gets better terms in his freight rates, he has it in his power, by competition, to absolutely destroy the small dealer, has he not, instead of allowing the small dealer to grow up and crush him out if he chooses to do so?

Mr. MEEK. That would be possible were it the inclination of the large dealers, but I do not believe it is. I do not know any such instance as that. There may be some in the country, I dare say there are a few. But we have such a big question to handle that we cannot decide that on the spot.

#### THE UNIT OF TRANSPORTATION.

I will say there is one way in which you might, in a degree, remedy that. You might make the car-load a unit. You might make a difference between your car-load rate on a car load of merchandise, or of manufactured articles of any kind, and your 100-pound unit rate. The small dealer who does not handle his business in car-loads is not in competition with the millionaire.

Senator HARRIS. I can see a reason why a shipment in less than car-loads should be, perhaps, rated higher than the car-load rate. But is there a difference, really, where you make the car-load a unit? In other words, should not fifty men, each with one car-load to ship, get the same rate per car that one man gets who ships fifty car-loads from the same depot over the same line of road to the same consignee or the same destination?

Mr. MEEK. If they have due regard for the interests of the territory in which they reside and in which they are doing business, and have an interest in building it up, they would prefer that the one man should have a better rate, because, in the event of the fifty men getting it, they are feeding the Eastern distributing points. They are doing nothing to contribute to the growth of their territory. They are relying entirely for supply upon the sea-board ends of our railroads, upon Chicago and Saint Louis and Cincinnati and Baltimore and Boston and Philadelphia and New York. They are doing nothing whatever for their home markets. Their own good judgment will direct them differently from that.

I think public opinion will prevail on that. I think if there was evidence taken on it to-day, after a discussion they would vote in favor of these special rates. The managers withdrew the special rates from Iowa last fall because of the noise made about it, and there is no special rate into Des Moines now. What is the result? The people here are dissatisfied. Our merchants are dissatisfied. The jobbers say they will have to go out of business. The manufacturer says he cannot stay here and live; and there is great turmoil and strife about it. There has been great pressure brought to bear upon the managers to restore those special rates.

Senator PLATT. Those special rates were open and everybody understood them?

Mr. MEEK. Prior to the time they were withdrawn, yes, sir. I believe that they were generally understood.

Senator PLATT. What is the condition now; does a man get a little advantage, if he can, by contract?

Mr. MEEK. By little underground ways they have of doing business. If they are good enough men to get in they might do it. That

is very much worse than what we had before. I do not think there is any doubt that all those rates were understood by every shipper in Des Moines prior to the time they were withdrawn. These fellows were all happy.

The CHAIRMAN. The jobbers were happy?

Mr. MEEK. Yes, sir.

### S. J. LOUGHRAN'S STATEMENT.

S. J. LOUGHRAN, foundryman and machinist, appeared :

The CHAIRMAN. What is your line of business?

Mr. LOUGHRAN. I am in the foundry and machine business, and in the newspaper business also.

The CHAIRMAN. I understand you have a paper prepared which you wish to read before the committee.

Mr. LOUGHRAN. On Wednesday afternoon or evening I received a message from the secretary of the board of trade, informing me that I was expected to prepare and read a paper before this committee, not indicating what line of discussion I should adopt. The next morning I met a committee of the retail trade of the city, who asked me to prepare and read a paper for them. I told them I had promised the secretary to prepare a paper that would be general in its character, which might, perhaps, answer their purpose. I submitted it to them Friday morning and they accepted it with a little change.

The CHAIRMAN. You may proceed with the reading of the paper.

Mr. LOUGHRAN (reading):

*To the honorable the Senate committee on interstate commerce :*

The short notice of your coming and its unexpectedness make a full discussion of the subject into which you inquire impossible. I will, therefore, present in general terms the "gounds of complaint" for which you inquire.

#### DISCRIMINATION AGAINST PLACES.

First. We complain of discrimination against localities. Our city is admirably situated for manufacturing. We have an extensive territory to supply with machinery and implements. We have an abundance of fuel and considerable water power. But the freight on raw materials, lumber, iron and steel, pig-iron, anthracite coal, and coke, and other articles required for the construction of wagons, plows, cultivators, seeders, hay-rakes, corn planters, mowers, harvesters, threshers, steam-engines, boilers, and other machinery and implements used in this State and beyond, and the high rates for the distribution of our manufactures make it impossible for us to compete with the manufacturers in the States east of us, who can send their goods across States to almost any point in Iowa for less than we are charged from one point to another within the State by the same railway companies.

This discrimination affects us unfavorably in several ways. It retards the growth of the city. It exhausts our means, the means of all classes of producers in the State, for the enrichment of the manufacturers in other States and countries, and the middlemen and carriers. A majority of our population are skilled or unskilled workers. A majority of the workingmen are engaged in housebuilding, street and sewer construction, and other outdoor employments, which cannot be profitably prosecuted in the winter months, and much of the indoor work in planing mills and foundries preparing materials for building ceases when outdoor work is stopped. For the reasons stated we have no wagon, mower, harvester, planter, thresher, or other factories to take in the men who are out of employment in winter. The result is, increasing pauperism winter after winter, and increasing crime, for many men will steal to satisfy their hungry dependents.

#### DISCRIMINATION AGAINST PERSONS.

Second. We complain of discrimination against persons; and we protest against this more earnestly because it has received the indorsement of our Iowa railway commission. The principle adopted by the railways and approved by the commission is



utterly subversive of equal rights. Openly and boldly they say: the rich must be made richer and the poor must become subject. The man who has \$10,000 capital and imports 10 car-loads of freight in the month must pay a higher rate per car than the man who has \$100,000 capital and imports 100 cars each month. The same rule governs the export of farm products. By this rule the railway managers have organized a privileged class, a mercantile oligarchy, subject to their dictation; giving them the power to exterminate all competitors, to raise or lower prices, as their interest or malice may dictate. Thus the railway kings surround themselves with a privileged nobility, securing to them dominance over the commonality by laws of primogeniture and entail, as it were. The working of this system cries aloud for correction. A is a wholesale merchant. B is a retail merchant. By the special discount given A by the Eastern merchant or manufacturer, and by the drawback, or rebate given by the railway, A can sell to B 1,000 kegs of nails as low as B can obtain them from the manufacturer. But A is also a retail merchant. Generally he retails as high as B. But a desirable buyer, a ready-cash customer, asks for better figures and obtains them. The undesirable buyer is allowed to patronize B.

#### SPECIAL RATES TO HEAVY SHIPPERS.

It is claimed that the railways have the same right to give a heavy shipper special rates that the Eastern merchant or manufacturer has to give a special discount. We say no! The merchant is free from all restraint in the disposition of his goods; the railway corporation is not absolute owner of its property. The primary, the ultimate purpose of the merchant, is to make money. The primary, the ultimate object of public highways is to serve the public—the whole commonwealth. For that purpose canals are constructed, rivers dredged, and railways chartered.

At the time of its organization, the corporation received a valuable grant from the people—the whole people—which it holds in trust for the whole people, not for a few favorites; it received, in trust, the commerce of the route through which its road is constructed.

By the acceptance of that trust it became the servant of the whole community, or State, or nation, engaging to serve all alike, fairly and honorably, for a reasonable compensation. The people of Iowa demand the fulfillment of these obligations. They have called upon the State legislature and the National Legislature year after year for many years, but as yet in vain. It is hoped that your investigations will lead to some good results, and that speedily.

#### THE REAGAN BILL.

It is necessary that I should state that a large majority in this State, especially among the farmers, favor the Reagan bill. Not because they approve of all its measures, but rather because they are tired of postponement. They fear the power of the immense wealth of the corporations in the Senate chamber.

Some of those who have given the subject much thought favor a commission, but they would at the same time regulate commission and railway by positive, clear statutes; fixing maximum and minimum rates, for it is apparent that the companies and stockholders need protection, as well as the people.

#### DISSATISFACTION WITH RAILROADS.

It would be wrong to hide the fact that there is deep-felt dissatisfaction with the conduct of the representatives of railways in this State, for several reasons, but this dissatisfaction must not be called unfriendliness, or as an evidence of a wish to deal unjustly. The people of Iowa are law-abiding—though occasionally they will hang a murderer without due process of law. The people are honest, but they will not always submit to be robbed that the coffers of the Goulds and Vanderbilts may be weighted with hundreds of millions.

#### POOLING.

That pooling, as now conducted, is an evil requiring correction, is generally admitted. It is a product of destructive competition and rate-cutting. Both tend to the derangement of business and are injurious to all interests. Whether rates are low or high, stability is necessary to the safety of the merchant, the manufacturer, and the builder.

#### WATER ROUTES.

The development and maintenance of the water-ways of the nation would tend to regulate rates and promote commerce by making the transportation of bulky and cheap materials, such as building and paving stone, possible.

The CHAIRMAN. I wish you would state a little more definitely, if you can, what precise provisions you would put into an act looking to the regulation of interstate commerce.

Mr. LOUGHRAN. I have not given the subject sufficient consideration to give you precise statements.

The CHAIRMAN. As I understood the reading of your paper, you do not unqualifiedly condemn pooling?

Mr. LOUGHRAN. No.

The CHAIRMAN. Would you be favorable to the allowance of pooling in the statute with some governmental restriction or some power to approve or disapprove of any contracts for pooling that might be entered into?

#### POOLING HAS BEEN INJURIOUS.

Mr. LOUGHRAN. I look upon pools, whether they be railway pools or trade pools, or pools of laborers and workingmen, as injurious, if only self-interest and the destruction of the interests of others, or the disregard of the interest of others, is had in view. Such organizations may be useful in giving knowledge, in arranging for the more economical performance of work, and in many other ways. But if the object of pooling is to take advantage of other parties, other interests, I consider it wrong. Such has been the result of railway pooling.

The CHAIRMAN. You think that, as a matter of fact, pooling has been an injury rather than a good, unrestricted by law as now and heretofore?

Mr. LOUGHRAN. Yes, sir.

The CHAIRMAN. Suppose a commission should be created by act of Congress. As I understand, you are not much inclined to favor a commission at all?

Mr. LOUGHRAN. I favor a commission. I speak of others when saying "a majority of the people of this State." I intend to represent others as well as to give my own opinion. This locality does favor it. They want something done, and done quickly. They are tired of delay.

#### A NATIONAL COMMISSION.

The CHAIRMAN. Let us have your own views. You say you favor a commission yourself?

Mr. LOUGHRAN. I do not think law, whatever statute you may enact for the regulation of railroads, can be well executed without some kind of a board.

The CHAIRMAN. How much official authority would you give the board? I do not mean what provisions should be incorporated in the act generally, but how much official power would you give the board, or commission, or special tribunal? Would you give them power to make rates, or to settle differences between the transportation companies and persons complaining, so far as the Constitution would allow us to give power to them?

Mr. LOUGHRAN. I think that alone they would scarcely be prepared to make rates for all parts of the country.

The CHAIRMAN. Would you think it would be safe to leave it to the railroads to make rates, and then have the commission supervise them?

Mr. LOUGHRAN. Yes, sir.

The CHAIRMAN. In Massachusetts and New York, for instance, the

railroad commission (and I believe it is true here) have very little absolute legal authority, further than to investigate complaints and announce their views. Would you go further than that?

Mr. LOUGHRAN. I would.

The CHAIRMAN. Would you make their findings *prima facie* evidence in a court of law?

Mr. LOUGHRAN. I would.

#### REBATES AND DRAWBACKS.

The CHAIRMAN. You speak in your paper of discriminations between persons and places, and also of the payment of rebates. Do you think that the habit or custom of paying rebates should all be prohibited?

Mr. LOUGHRAN. I do.

The CHAIRMAN. Absolutely, by a provision of statute?

Mr. LOUGHRAN. Yes, sir; absolutely, by a provision of statute.

#### DISCRIMINATIONS—PUBLICITY OF RATES—NOTICE OF CHANGE.

The CHAIRMAN. You think that there should be a prohibition against discrimination between places as well as persons?

Mr. LOUGHRAN. Yes, sir.

The CHAIRMAN. Do you think the rates of freight should be made public to the world?

Mr. LOUGHRAN. Yes, sir.

The CHAIRMAN. You would put that in the statute?

Mr. LOUGHRAN. By all means.

The CHAIRMAN. Would you change it without notice?

Mr. LOUGHRAN. No, sir.

The CHAIRMAN. What notice do you think ought to be required?

Mr. LOUGHRAN. Not less than thirty days.

#### UNIFORM CLASSIFICATION.

The CHAIRMAN. Would you require a uniform classification of freights all over the country?

Mr. LOUGHRAN. I would.

The CHAIRMAN. Would you allow the charge for one car-load to be made greater per car than for a dozen or twenty?

Mr. LOUGHRAN. I would not, except so far as it may have cost more to handle them—the terminal expenses.

The CHAIRMAN. Simply the difference in cost?

Mr. LOUGHRAN. The difference in cost.

The CHAIRMAN. That is the point at which the jobbers, if you please, of Des Moines, get the advantage of the retail shippers, is it?

Mr. LOUGHRAN. Yes, sir.

#### THE UNIT OF TRANSPORTATION.

The CHAIRMAN. Would you require the car-load to be the unit, or 100 pounds?

Mr. LOUGHRAN. The car-load would be necessarily a unit for car-loads. I think that another unit is requisite for broken freight.

The CHAIRMAN. What ought that to be?

Mr. LOUGHRAN. One hundred pounds.

## LONG AND SHORT HAUL.

The CHAIRMAN. You have been here and have heard a good deal said about the long and short haul; should there be any provision in the law prohibiting absolutely the charge of a greater sum for a shorter than a long distance?

Mr. LOUGHRAN. I would prohibit it where the circumstances are equal.

The CHAIRMAN. Explain what you mean by that.

Mr. LOUGHRAN. It may cost more to deliver a car-load 20 or 30 or 50 miles east of this place, carried from Chicago in this direction, than it does in Des Moines. I think that is frequently the case. The car has to be detached from the train and left there; then the empty car has to be picked up by another train, if not loaded there—which seldom occurs, I think.

The CHAIRMAN. At a small station it would not be likely to be loaded?

Mr. LOUGHRAN. No; whatever is the additional cost of this contingency should be added to the rate, or to the whole shipment.

The CHAIRMAN. It should be added to the price for the transportation of the goods?

Mr. LOUGHRAN. Yes, sir.

Senator HARRIS. Do you mean that much more should be added than the freight charge from Des Moines?

Mr. LOUGHRAN. No; I mean that much more than the mileage.

The CHAIRMAN. How would you remedy the evil where they charge more and it is not really right—which I presume sometimes occurs? You would have to leave that to the commission, would you not?

Mr. LOUGHRAN. We would have to.

The CHAIRMAN. If there are very many cases where it occurs that it costs more to haul goods a shorter than a longer distance, you could not safely say in the statute that there should not be in any case a greater charge for a short than for a long haul?

Mr. LOUGHRAN. I would make an exception in the additional cost that may accrue by leaving that at a way station.

## FEELING IN IOWA AGAINST RAILROADS.

The CHAIRMAN. Do you think there is a universal feeling in the State among the people that they are being wronged by the transportation companies?

Mr. LOUGHRAN. Yes, sir.

The CHAIRMAN. You think it prevails pretty generally?

Mr. LOUGHRAN. It prevails generally.

The CHAIRMAN. Does that pertain as much to interstate commerce as it does to State commerce, or more?

Mr. LOUGHRAN. It does; perhaps more to interstate commerce.

The CHAIRMAN. So that there is a universal belief that Congress ought to do something in the premises, is there?

Mr. LOUGHRAN. Yes, sir.

## LONG AND SHORT HAUL: ILLUSTRATION.

Senator HARRIS. Upon the short-haul question I am not sure that I understood you right. Do you mean that it may cost more to bring a

car from Chicago to a depot 50 miles east of Des Moines than it would cost the same company to bring that loaded car on to Des Moines?

Mr. LOUGHRAN. I say it may cost more. Not the pulling of the car there, but the breaking up of the train of cars, as it were, to let that car out.

The CHAIRMAN. It would cost the railroad more in the end to get that car there and get it away?

Mr. LOUGHRAN. Yes, sir.

Senator HARRIS. Let us see how far that is true. The train has to stop at this station and switch that car off and uncouple it; and then it goes on to Des Moines with the balance of the train. A passing train the next day runs back on the switch and picks that car up and brings it on, if it is to be brought on, empty.

Mr. LOUGHRAN. It may, or it may be loaded there.

Senator HARRIS. It may be loaded there, or it may be brought here to be loaded.

Mr. LOUGHRAN. It may be taken to some other place.

Senator HARRIS. Even assuming that it is to be brought here empty, to be loaded, the only possible difference in the expenses would be the time occupied in backing on the switch to pick up the car the next day?

Mr. LOUGHRAN. The time and the labor.

Senator HARRIS. That is all of it, is it not?

Mr. LOUGHRAN. Yes, sir. There may be some loss in the use of the car. It may not be convenient to pick it up.

Senator HARRIS. It is fair to assume that it will take just the same time to unload that car there as to unload it here?

Mr. LOUGHRAN. Yes, sir. But it may not, as I said before, be convenient to pick up that car the next day.

Senator HARRIS. But is there any more probability of time being lost to the car left at that station than to the same car left at any other station?

Mr. LOUGHRAN. Yes, sir. At any other way station it would not be, but here at Des Moines they distribute empty cars in every direction, to where they load them. It is of much more importance to a railway company to have its cars right here than in any other place. They can use them quicker here, and to better advantage.

Senator HARRIS. For the reasons you have assigned, you think it would not be wise and safe to transportation companies or to the general public to prohibit by law a transportation company from charging more for a short than for a long haul over the same line of road and going in the same direction?

Mr. LOUGHRAN. I think that prohibition should not be absolute for the reasons that I have given.

#### WILLIAM MERRILL'S STATEMENT.

WILLIAM MERRILL, retail furniture dealer, of Des Moines, Iowa, appeared.

The CHAIRMAN. Are there any points with reference to the subject under investigation you would like to speak of? If so, please proceed in your own way.

#### UNIFORM CLASSIFICATION.

Mr. MERRILL. As to the different classifications of goods that are shipped from New York and Boston to Chicago, and then classified dif-

ferently from Chicago to Des Moines, I think they ought to be classified alike all the way through.

The CHAIRMAN. From the point of purchase to the point of destination and sale?

Mr. MERRILL. Yes, sir. We frequently, in paying freight bills on goods shipped from Boston or New York, find that the amount to bring them from Chicago here will be at least three-fifths of the whole bill. We think it is excessive.

The CHAIRMAN. I heard the same complaint in Chicago, that classification from New York to Chicago was very different from that west of Chicago, and without any apparent reason, so far as the parties could see. Do you see any reason why the classification should not be the same throughout the country?

Mr. MERRILL. No, sir; I do not.

The CHAIRMAN. It should be uniform?

Mr. MERRILL. I can see no good reason why it should not be.

The CHAIRMAN. You are a retail furniture dealer here?

Mr. MERRILL. Yes, sir.

#### THE UNIT OF TRANSPORTATION.

The CHAIRMAN. Do you or not agree with the gentleman just on the stand as to the rule governing quantities of shipments? Should the car-load be the unit?

Mr. MERRILL. I think that should be one unit, and 100 pounds another. Goods are shipped both ways; sometimes by the hundred pounds, and sometimes by the car-load.

The CHAIRMAN. A retail dealer sends out a bedstead or a washstand, and does not ship by the car load?

Mr. MERRILL. Yes; and he buys in smaller quantities than the car-load sometimes.

The CHAIRMAN. So that you think there ought to be two units?

Mr. MERRILL. Yes, sir.

The CHAIRMAN. You think all persons dealing in the same traffic should have the same rate per 100 pounds when shipping in quantities less than a car-load, and every man, whether he is a jobber or a retail dealer, should have the same rate per car-load?

Mr. MERRILL. Yes, sir; that is my opinion.

The CHAIRMAN. And a man shipping a dozen car-loads should not have the advantage, you think, over the man who ships but one?

#### DISCRIMINATE AGAINST THE RICH RATHER THAN THE POOR.

Mr. MERRILL. I think not. When these roads were built we all contributed more or less in helping to build them, and we are entitled to that much consideration. The poor man, or the small dealer, is entitled to that much deference. If there is to be any sentiment in regard to this thing I think it should be in behalf of the poor man rather than of the large dealer, who can take care of himself.

The CHAIRMAN. On business principles, you do not see any reason for discrimination?

Mr. MERRILL. I do not; no, sir.

#### DISCRIMINATION AGAINST DES MOINES.

The CHAIRMAN. Are there any other points you wish to mention?

Mr. MERRILL. I think that our town heretofore has been discrim-

inated against in regard to competition with Kansas City and Omaha and cities on the Missouri River. They have at times got lower rates than we could get from Chicago, although the goods were carried right past us 100 or 150 miles farther. It seems to me to be wrong. There might be something to govern that.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. Would you favor a law that would prohibit the charging of a greater sum or as great a sum for a short as for a long haul?

Mr. MERRILL. I would as a general thing, unless there are some special circumstances governing the case.

The CHAIRMAN. Would it be safe to leave it to a special tribunal to investigate and determine upon the question of a long and short haul?

Mr. MERRILL. It seems to me that would be the best arrangement, to let it be governed by a commission. I do not think any general law or statute could be made to govern it exactly.

The CHAIRMAN. None that would fit every case, so that it would be safe to the business interests to make a specific statute.

Mr. MERRILL. No; it does not seem to me as though any great amount of legislation is necessary. I think the railroad companies are disposed to do pretty nearly the fair thing, with a little checking occasionally by some commission which had the power to do it. There should be some provision, perhaps, looking to that.

#### PUBLICITY, CLASSIFICATION, REBATES, AND DISCRIMINATIONS.

The CHAIRMAN. Do you think that a law that contained a provision requiring publicity of rates, and the uniform classification of freights, and prohibition of rebates, and a declaration against unjust discrimination as between persons and places, would be broad enough?

Mr. MERRILL. I think that would be a good law. Perhaps it might cover, to start with, all the points, as an experimental thing. It would have to be amended from year to year, perhaps.

The CHAIRMAN. You think we would have to feel our way?

Mr. MERRILL. Yes, sir; I think that is the only way to get at it.

#### S. J. LOUGHRAN'S STATEMENT CONTINUED.

Mr. LOUGHRAN. If the committee can spare the time I would like to make a correction of history, for the reason that you may be misled in regard to what you have already heard. It is with regard to the repeal of the granger law. The people did not desire that repeal.

The CHAIRMAN. Who did?

#### HOW THE GRANGER LAW WAS REPEALED.

Mr. LOUGHRAN. The railroads. As soon as that law went into effect the railroads running to other States took advantage of the shippers in Iowa by increasing the freight, as it were, between Chicago and the river—other points and the river, and thus made freights higher from beyond our borders than they were before. The law was somewhat

unfair in some particulars to the railroads, and they took this method of revenging themselves upon the people. In this way they produced dissatisfaction among the shippers, and thus encouraged them to find fault with the law. In 1876 an effort was made to amend the law so as to relieve the railroads of the oppression they suffered under the law, and also to relieve the people. But that amendment that was desired was opposed by the railroads. They wanted a repeal of the law, and not this amendment. They must have the law excluded from the book. They would have no amendment. And they were strong enough in the legislature to prevent an amendment in 1876.

Two years passed along, and all went along quietly ; but the railroads were at work quietly organizing a legislature that would repeal the law. The question was not before the people. The people were taken by surprise when it was sprung upon the legislature, in the assembly. It was carried by the railroad power, the campaign being conducted by a railroad lobby in the capitol, against the wishes of the people. The people desired an amendment of the law, as I said before. They wanted to give it a fair trial, and they wanted to correct any errors or any wrongs that might be affecting any interest. But all those corrections and efforts to amend the law were opposed by the railroad side, and they effected its repeal, and this commission law now is the railroads' choice ; it is their work.

The CHAIRMAN. Granting that to be so, in your judgment, from your observation from the time the first law was passed to the present, having lived for a few years under the old law and now for five or seven years under the present, which do you think was the best law in the public interest ?

#### THE GRANGER BETTER THAN THE COMMISSION LAW.

Mr. LOUGHRAN. If the old law had been amended, it was certainly the best. It needed some amendments, but it gave more satisfaction to the people of the State.

Senator HARRIS. You think the old law, with such amendments as you refer to, without a commission, would have operated better and would have been more satisfactory than the present law with a commission ?

Mr. LOUGHRAN. Than the present law as it is. But I believe that a commission was necessary under the old law. That is, take the law as it was, or rather amend the law as was desired and organize a commission for the enforcement of that law and for the management of railroad affairs generally, and it would have worked better.

The CHAIRMAN. Your idea is that there were some provisions of that law that were better than any provisions in this ?

#### RAILROADS CONTROLLING POLITICAL POWER.

Mr. LOUGHRAN. Yes, sir. I might add that since the organization of that commission there has been an effort made year after year for the enactment of some laws regulating the roads in conjunction with the commission. But the railroads have been strong enough since 1878 to control the legislation. That is one great grievance the people complain of, the political power of the railroads in this State.



## JOHN E. WILLIAMS'S STATEMENT.

JOHN E. WILLIAMS, representing the lumber interest, appeared and said :

When I was summoned to appear before this committee for the purpose of deciding certain questions of policy having relations to interstate commerce and its regulation by national legislation, I was handed the printed form which I believe emanated from your committee, and at that time I agreed to either appear before the committee in person or to submit any ideas I might have on paper. There was no certainty that I could be personally present on account of the demands on my time, so I prepared my views in writing. This paper was submitted to your secretary yesterday morning, and I thought that would be an end of the whole matter as far as I was concerned. But it has been stated by a distinguished gentleman that the more he inquires into this subject the less he seems to know what is best to do about it. I think that must be true. When the matter was first brought to my attention I did not, at that time, inquire into it at all. Consequently, by a parity of reasoning, I was presumed to know it all. Indeed, when I wrote this paper I had no doubt that it would relieve this committee of any further investigation, and that you would be for going immediately home.

Senator HARRIS. Have you changed that opinion since?

Mr. WILLIAMS. Since then, however, I have made some inquiries, and have received some information. The result is the deliberate conclusion that you will have to go on to Omaha. With your permission, then, I will read what I have prepared, and then ask for a suspension of the rules and request to be permitted to retire.

In the matter of investigation upon which you are engaged, as indicated in your communication to the secretary of the Board of Trade of the city of Des Moines, and by invitation of representatives of that organization, I have the honor to submit the following views in response to the queries you have propounded. Premising what follows with the general statement that, in my opinion, the interests of the public and the railroads are essentially mutual and inseparable beyond the maintenance of strictly equitable relations of a character to secure stability and a legitimate state of trade, I am in favor of the adoption of such public measures as may operate to preclude the possibility of prejudice to either the individual, the general public, the Government, or corporations operating as common carriers under it.

## UNJUST DISCRIMINATION AND EXTORTION.

First. "The best method," and perhaps the only really practicable means, in view of the vastness of our railroad system, "of preventing the practice of extortion, and unjust discrimination," fluctuations, and consequent insecurity to business interests, "by corporations engaged in inter-State commerce," would be, in my humble judgment, to establish an equitable schedule of rates by legislation, impossible for such corporations to alter or amend, except by consent of the personally-vested supervising power of the Government, acting under statutory limitations, and after due notice to the public.

## REASONABLENESS OF RATES.

Second. "The reasonableness of rates now charged" suggests a problem not easily solved. By reason of the absence of uniformity and the well-known erratic tendencies of corporations acting alternately and spasmodically under co-operative limitations and independently of each other (and perhaps covertly in violation of agreed rates), charges frequently fluctuate from one extreme to the other in a manner generally regarded by patrons as void of any actual certainty from one week's end to another. By this means the business of the country in general, but more especially commercial centers, is kept in a perpetual state of feverish uncertainty, because, for instance, the merchant or manufacturer in Des Moines who buys a commodity deliverable on the basis of a 15-cent rate to-day will be extremely lucky if his competitors

cannot do so on half that rate to-morrow. The recurrence of extremely low rates as results of periodical railroad wars, followed by extortionate charges to compensate for losses sustained while fighting, are necessarily and obviously destructive of the natural operation of the law of supply and demand, and correspondingly productive of demoralization. The open "rates now charged," with five or six trunk lines in so-called competition at this point, it is claimed by "old settlers," are quite as high as when there was but one road, and under the present régime rates have at times ruled even higher than under the old, thus demonstrating that a multiplicity of lines operating conjointly, as happens to be the case at this particular time, is practically an injury, so far as rates are concerned, rather than a benefaction to the shipping public.

#### PUBLICITY OF RATES AND NOTICE OF CHANGE.

Third. "Publicity of rates" would seem to be a necessary means of protecting the general public against otherwise possible discriminations. "Changes of rates without public notice should be prohibited," as previously suggested, as a factor of "the best method of securing uniformity and stability of rates," and consequent security to values.

#### MAXIMUM AND MINIMUM RATES.

Fourth. "The advisability of establishing a system of rates for the transportation of inter-State commerce" is apparently a self-evident proposition, re-enforced by the logic of events. Without some controlling agency more potent than they have yet succeeded in vesting by any action of their own, corporations will continue, either from volition or compulsion, to shape or unshape their operations, regardless of any considerations of public interest not incidentally in accord with their own apparent advantage.

#### ELEMENTS OF COST.

Fifth. This proposition is of too abstruse a texture for this deponent to deprive Congress of the credit of unraveling. That considerations of equity and reasonableness in "fixing the tariffs on inter-State traffic" should extend as well to all corporations affected as to the public is entirely obvious, of course; but in what specific manner, or upon what particular basis, that object can be best and most accurately arrived at in detail constitutes a problem not to be solved upon a few hours' notice and by a person not practically familiar with the subject.

#### REBATES AND DRAWBACKS.

Sixth. "A system of rebates and drawbacks" could be established by law as apparently a practicable means of securing to wholesale shippers concessions equivalent in commercial ethics to the natural and accepted differences between wholesale and retail values. In other words, I think jobbing should be fostered at suitable points. This is a branch of the subject, however, that calls for the utmost circumspection as to the manner of its disposal by Congress. Very careful deliberation and mature judgment will be necessary in digesting and perfecting such a system, the practical operation of which shall not result in the creation of a tendency toward monopoly. To preclude any danger of this nature, the margin legally allowable under the head of "rebates" might be positively fixed between judicious limits, or without any principle of elasticity introduced to encourage the concentration of capital, by combinations or otherwise, for the purpose of crushing out enterprises of moderate resources and legitimate aims.

#### POOLING.

Seventh. With all inter-State traffic thus legally restricted and controlled upon a practically uniform basis of charges remunerative to the carrier and otherwise fair and reasonable, the necessity for "pooling contracts and agreements between railroads" would seem to have become obsolete; but as a means simply of facilitating by a co-operative system the necessary interchange of traffic, arrangements to that end in the nature of a pooling contract and clearing-house combined would seem unobjectionable and feasible if subject to public scrutiny and official control.

#### SHIPPER'S RIGHT TO SELECT ROUTE.

Eighth. Should authority to combine for the necessary purpose indicated in the preceding paragraph be extended by law, subject to the restrictions suggested, I think no choice of lines could obtain, for the obvious reason that the exercise of such choice would necessarily be subversive of such an arrangement, and the latter would thus be rendered practically inoperative.

## UNIFORMITY OF RATES.

Ninth. For similar reasons to those indicated in paragraph fifth, I am compelled to decline attempting any answer to this proposition. It requires more extended knowledge and greater research than I possess or can give to the subject.

## LONG AND SHORT HAUL.

Tenth. I think so, and for the one apparently sufficient reason, at least, that terminal expenses accruing to the carriers are the same, whether the haul be long or short. If the public interest requires any legislation on the subject of transportation at all, there should be no half-way measures enacted in any direction, as a well-grounded apprehension exists that only the most sweeping and stringent provisions in the hands of an eminently honest and efficient tribunal can be made effective and satisfactory.

## CONCESSIONS TO LARGE SHIPPERS.

Eleventh. This proposition, as may be seen, was attempted to be answered in paragraphs six and seven of this paper.

## UNIFORMITY OF ACCOUNTS.

Twelfth. As a means of facilitating public scrutiny and official surveillance, I should say yes.

## ANNUAL REPORTS.

Thirteenth. I think "corporations should be required to make annual reports to the government," for the double purpose of affording the public useful and trustworthy statistical information relative to the commerce of the country, and the data for determining officially questions of earnings, having relation to the equitable and intelligent adjustment of rates, to the end that both the public and corporations may secure equal justice.

## WATER ROUTES.

Fourteenth. For the purpose indicated there can be no question as to the advisability of maintaining old water routes and developing artificial ones to any extent manifestly for the general good.

## THE REMEDY.

Fifteenth. The adequate "regulation of inter-State commerce" clearly involves a degree of importance and magnitude of purpose and labor to justify and demand the creation of a "special tribunal" to "carry out the provisions of any law Congress may enact" to that end.

In concluding these hastily prepared and very imperfect views, I beg leave to add that I have proceeded very largely upon the assumption that the current instability of freight charges is correspondingly destructive of values and demoralizing to the state of trade, and that to remedy this is the thing chiefly desired. With freight rates fixed as proposed, it may be fairly presumed, I think, that that condition would operate to impart greater stability and security to business interests, the commerce of the country would readily and naturally adapt itself to the new order of things, and the workings of the latter, if efficiently directed, would be found, in my judgment, quite as salutary to the corporations affected as to the general public itself.

## W. M. JONES'S STATEMENT.

W. M. JONES, cattle raiser, appeared.

The CHAIRMAN. What are your business relations or engagements?

Mr. JONES. I am interested in several branches. Perhaps the largest is the cattle interest in the West. Some in railroad interests.

The CHAIRMAN. You have been listening to what has been said here. If you have any suggestions to make, please make them to the committee without any questions being required.

## PRESENT RATES NOT EXORBITANT.

Mr. JONES. I made a few notes as we went along this morning from the questions that you propounded to other gentlemen.

In the first place, as to the present rates charged on inter State business; they do not seem to me exorbitant, from the fact that they are so much lower than they were a few days ago.

The CHAIRMAN. Right there let me call your attention to the fact that it was stated by some gentlemen that the rates had not been changed materially for fourteen years.

Mr. JONES. I think they are mistaken as to that. I am not familiar, however, with the rates further back than eight years ago, as I have been in the State only that long. But they have been changed more than once in that time at least.

The CHAIRMAN. Do you mean reduced?

Mr. JONES. Reduced; yes, sir. The rates are lower to-day than they have been at all—that is, the open regular rate as it is.

There is quite a good deal of complaint on the part of the producer and shipper throughout the country, but it is produced from different causes in different localities. Take, for instance, the rate that was referred to this morning—from Chicago to Creston and from Creston to the Missouri River points. If they understood the reason of the difference in those rates, they would see the legitimacy of the difference.

The CHAIRMAN. What are the reasons?

Mr. JONES. A gentleman, for instance, produced a letter this morning from the Northwestern Company, stating that their rate to Council Bluffs was  $14\frac{1}{2}$  cents on lumber. That was not on lumber to Council Bluffs proper. That was on lumber shipped to Lincoln City or to other points in Nebraska, on which they only got  $12\frac{1}{2}$  cents a hundred for transportation. The rate is not  $12\frac{1}{2}$  cents on lumber, for instance, to Council Bluffs proper. I do not know what it is, but it is something like 30 to 33 per cent. less than it would be at a point 100 miles east of Missouri River points. The rate to Lincoln, Nebr., is but little more than it is to Council Bluffs, although some considerable distance west of the Missouri River. That is due largely to the competition at Lincoln. The gentleman said this morning that he believed there was no competition. There is a very sharp competition at Lincoln. The Union Pacific and the Chicago, Burlington and Quincy are contending for the business. The competition at Council Bluffs, Omaha, Lincoln, and Kansas City is also caused in the lumber interest by the lumbermen of the Northwest and Chicago. There is a vast amount of lumber shipped from Saint Paul and Minneapolis.

Senator HARRIS. There is the letter that was referred to this question [handing it to the witness]. Look at it in connection with the statement you have just made?

Mr. JONES. Yes, sir. They state here that the rate to Omaha is the same as it is to Council Bluffs. Of course there is a bridge toll of \$10 per car between Council Bluffs and Omaha.

The CHAIRMAN. To cross over that bridge?

Mr. JONES. It is \$5, perhaps, on lumber.

Senator PLATT. Who owns the bridge?

Mr. JONES. The Union Pacific Road, I think. It may be a separate company now. That I do not know. It used to be \$10. It may be reduced.

Senator PLATT. Do you know whether it is owned by the Union Pacific, or whether it is an independent bridge company?

Mr. JONES. I think it is owned by the Union Pacific.

Senator HARRIS. From that letter you see that the statement made by the witness this morning was correct?

Mr. JONES. Yes, sir. The rate that is charged to Council Bluffs is

because of Council Bluffs not only being a distributing point, but being a sharp competing point. All these trunk lines run in there.

The CHAIRMAN. Is that any reason why Creston should be charged as much as or more than Council Bluffs?

Mr. JONES. Yes, because it is a shorter haul.

The CHAIRMAN. Which is?

Mr. JONES. Creston. It is a shorter haul by from 85 to 100 miles.

The CHAIRMAN. Is the naked fact that Creston is nearer Chicago than Council Bluffs a sufficient reason to justify the charge of more for that place than the other?

Mr. JONES. As I say, the competition to Council Bluffs compels the lines to make these rates, and there is no competition at Creston.

The CHAIRMAN. Does even that justify it?

Mr. JONES. Perhaps it might not justify it, but at the same time it is a fact.

The CHAIRMAN. You are talking about what happens?

Mr. JONES. Yes, sir.

The CHAIRMAN. We are trying to find out whether what is done is the right thing.

Mr. JONES. Perhaps the lumber that is carried from Chicago to Council Bluffs at 12 cents would not pay the railroad company \$5 a car profit. They are obliged to do it to compete with certain lines that cut the rates, whether they pay or not. That is the difficulty.

The CHAIRMAN. Are they allowed to recoup on people at Creston to make up whatever they lose?

Mr. JONES. No, sir; but perhaps they try to maintain a rate at Creston that will pay them a fair compensation for hauling the freight there.

#### THE BASIS FOR CHARGES.

As to railroads being permitted to charge a fair compensation on what their property is actually worth, that would be a hard rule to enforce now. For illustration, when the Chicago, Burlington and Quincy Road was built to Iowa, the probabilities are that the steel rails cost them \$100 to \$150 a ton. To-day they can get the same rails for \$28 a ton. There are portions of the Chicago, Burlington and Quincy Road—in fact most of the way between Chicago and Ottumwa, perhaps, and certainly to Fairchild, 40 miles from Ottumwa—where the road is ballasted. That cost a great deal of money. I am informed that certain portions cost \$5,000 per mile.

The CHAIRMAN. That is a part of its value?

Mr. JONES. Yes, sir; but that alone shows that to base a value upon the property to-day at what it could be built for to-day would be very unfair to the owners of the property who built it twelve or fifteen years ago.

The CHAIRMAN. If a merchant has his goods go down in price before they are sold he has to mark the price down?

Mr. JONES. He does not hold the same goods for fifteen years, and then have to mark them down. If he did, he would not have much left to mark.

#### POOLING.

So far as pooling is concerned, it is the only method left for railroads by which to protect their property. I think myself it would be better for pools to be entirely abolished. But rates should be established

which would be fair and remunerative for the labor performed, and they should be stable. I would not favor drawbacks. I think they should be prohibited in every particular.

#### CONCESSIONS TO LARGE SHIPPERS.

I think it would be very unjust to the small shipper (in answer to the question that was propounded this morning, if fifty men were shipping a car each, or one man was shipping fifty cars) if the one man should have a better rate than either of the other fifty. He should have an advantage to this extent: that it requires but one bill for fifty cars. But if there are fifty bills to be made out it adds considerably to the expense.

Senator HARRIS. It adds simply the expense of the bills of lading?

Mr. JONES. Yes, sir. Suppose the rate was made from Des Moines to Chicago on corn at a car-load rate. A, B, and C are going to ship a car or two; but if a man should ship one hundred cars, he should have a better rate. Let a man gather up the hundred cars and take advantage of that; they would make money, while the single shipper of through cars would lose money. He should be treated the same as the heavy shipper; that is my judgment. I believe that would be the judgment of the managers of the Iowa lines.

#### PUBLICITY OF RATES AND NOTICE OF CHANGE.

I think it would tend to give confidence to established rates if they were made public; and when any changes were found to be necessary those changes should be made known in due time.

Senator HARRIS. Do you mean that there should be a notice before the change should take place?

Mr. JONES. Yes, sir; as they usually do now. But of course when these special rates are made there are advantages obtained by shippers, and there are various devices resorted to to obtain those special rates. There is no question about that.

The CHAIRMAN. You said in the outset, I believe, that you were somewhat connected with railroads?

Mr. JONES. I have some interest in some railroads.

The CHAIRMAN. As a stockholder?

Mr. JONES. Yes, sir; upon some of which I do not get any dividends, however.

The CHAIRMAN. Have you any practical knowledge of the running of railroads?

Mr. JONES. Yes, sir; somewhat.

The CHAIRMAN. Are you an attorney?

Mr. JONES. Yes, sir; by profession.

The CHAIRMAN. Are you employed by any of the railroads?

Mr. JONES. No, sir. I was in the operating department of a railroad for eleven years before being engaged in the law business.

#### A NATIONAL COMMISSION.

I think this national commission which is suggested, for which purpose these investigations or this inquiry is made, would be an advisable thing. I think it would be satisfactory to the producer, the shipper, and the railroad companies. Something is demanded—there is no question about that—not only to protect the shipper but to protect the owners of railroad properties. They get into these cuts; they enter into

a pool; and some lines, for reasons best known to themselves, think they are not getting their proportion of the business, and they cut the rate or give some one a special rate. That results, finally, in the disruption of the pools and ruins the rates of all. There is a loss of thousands of dollars a day while those cuts continue. It works as a loss both ways—both to the general public and to the owners of the property.

I have shipped considerably during the past year and a half over the roads. I have no better rate than anybody else over any of the lines. I do not hear any complaints from any heavy cattle-shippers of the West.

Some of the roads, of course, are a great deal more expensive to operate than others, even in Iowa. Yet they try, I think, to make their rates uniform for equal distances.

I think this commission would in a great measure tend to obviate this indiscriminate cutting of rates, which we had three or four times last years. It seems to increase from year to year. They have carried passengers from Kansas City to Chicago for 50 cents, and from here for the same, perhaps, or for a dollar.

#### RIGHT OF SHIPPERS TO SELECT ROUTE.

I think, also, as to one question you put, that the shipper should be allowed at all times to select his route; that is a matter he ought to determine. If he wishes to ship around by way of Peoria, and not to go to Chicago, he ought to be permitted to do so. If he wishes to ship by way of Chicago, he ought to be permitted to designate the line he wants his goods to go over. I think the rates should be made and the bill of lading should be issued through, and the classification should be the same either east or west of Chicago. I see no reason why they should not be the same. I presume this difference in the classification is because of their custom East, and that the railroads West have concluded that their method of classification is the better one. They simply assume to control the classification west from Chicago, and not to reach East.

For instance, the rate on lumber which has been referred to from Chicago to Creston only pays the Chicago, Burlington and Quincy road seven-eighths of one per cent. per ton per mile. That certainly does not give them an exorbitant rate at all. It has only been a few years since the railroads thought they could not haul anything at less than a cent a mile and make anything out of it. This rate to Council Bluffs gives them about two-thirds of one per cent. per ton per mile.

Senator PLATT. Have you not made some mistake in your figures? If you have the right figures for Creston, you can scarcely have your Omaha figures right.

Mr. JONES. The Creston figures were about three-fourths, or between three-fourths and seven-eighths.

Senator PLATT. As the rate of 26 to Creston only yields 7 mills per ton per mile, the rate of 12½ cents to Omaha would not yield more than half of that?

Mr. JONES. I was figuring on a lower rate than 26 cents, because I assumed that there was a mistake. The rate was not 26 cents. I figured on a reduction of that.

#### COMMISSION FOR PROCURING BUSINESS.

I think commissions ought to be abolished entirely, both as to the passenger and the freight department. It would be more satisfactory

generally to the public, and certainly more profitable to the railroads, if they were abolished. There used to be a rule, fifteen years ago, to pay \$2 a car commission for getting freight 110 miles to a competing point. They used to pay a drawback, or a commission as it was called, to parties for soliciting business and obtaining it, of \$2 a car. I had charge of that for a long time, and paid it at a large number of points. The commission was from \$2 up to as high as \$5 a car. It is the same on the ticket business in the passenger department. The railroads would certainly make more money at 2½ cents a mile without commission than they would at 3½ with a commission to pay. If those commissions were abolished the public could get the benefit of it, and the railroad company would make as much money, and a little more.

Senator PLATT. Is the system a necessary one? I suppose each one of these roads running through Iowa has in Chicago a ticket agent, up in the best part of the city, with a nice office, disconnected from the roads. Is that a necessary way of doing business?

Mr. JONES. It is because of this commission system; if it were not for the commission system I do not think it would be necessary, except for the convenience of the public.

Senator PLATT. If none of them entered into it, it would be better, you think?

Mr. JONES. Yes, sir; I think it would. The time was, some years ago, when there were no ticket offices in Cincinnati, except at the depot, and there were none in Indianapolis except at the depot. All offices were absolutely prohibited, the railroad companies refusing to honor a ticket sold anywhere except at the one office—at the union depot. That has only been changed within the last ten years. The result of that was that there was no commission, and a child could go and get a ticket at the same price that you or I could. He would not need to ask any questions; there was the price. I believe there was no ticket office in Des Moines when I came here eight years ago, save at the depot. And it was so when the other roads came in; but it has become necessary for every road, in order to protect its interests, to establish local offices. That is so in Chicago.

Senator PLATT. It has become so that almost every city of 50,000 inhabitants has a number of ticket offices that compete for passenger traffic at that point, has it not?

Mr. JONES. Yes, sir.

Senator PLATT. That is a great expense to somebody?

Mr. JONES. For illustration: I know of six persons who went to California within the last six or seven weeks from Des Moines. The representative of one party came to see the railroads about some connections they wanted to make at Kansas City. I had just come from there. They were able to get a reduction on the rate of some \$18 apiece by running around from one place to another, and by corresponding with different towns. They finally got a rate from Des Moines with all that reduction. Still, if the rate had been made absolutely inflexible there would have been no trouble at all. They would have known what they could obtain a ticket for.

Senator PLATT. That lesser rate you suppose was made by the commission man accepting less than the price of the ticket and receiving less commission?

Mr. JONES. I think so—in order to get the business. Rather than not get it at all he would do it for nothing.



## M. T. RUSSELL'S STATEMENT.

M. T. RUSSELL, grain merchant, appeared and said :

These subjects have been covered so thoroughly that I think that I cannot give you anything new.

The CHAIRMAN. What is your business ?

Mr. RUSSELL. Grain trade.

The CHAIRMAN. You are engaged in the grain business in this city ?

Mr. RUSSELL. Yes, sir ; and in the surrounding country.

The CHAIRMAN. Have you any complaints or do you know of any that you wish to tell us of against the railroad companies of the country ?

Mr. RUSSELL. None at all, I believe. I have no complaints to make against them.

The CHAIRMAN. Where do you ship grain to ?

Mr. RUSSELL. Well, I ship to some of our manufacturers here, and some to Peoria and Chicago, and some to Baltimore ; eastern points ; wherever we can do the best.

The CHAIRMAN. You do a State business as well as an inter-State business ?

Mr. RUSSELL. We ship out of the State.

The CHAIRMAN. Do you ship any from country points to this city ?

Mr. RUSSELL. Yes, sir.

The CHAIRMAN. How do the rates compare between your shipments exclusively in the State and those that go out of the State ?

Mr. RUSSELL. They are higher. The rates from points in the State to manufacturers here are higher in proportion than they are farther east.

The CHAIRMAN. You say you have no complaint whatever ?

Mr. RUSSELL. I think not. I think the railroads are a great deal like people ; they want to do the best they can, and that is what they all want to do.

## PUBLIC SENTIMENT AS TO RAILROADS.

The CHAIRMAN. As you travel about buying grain and wheat, do you find any dissatisfaction among the people ?

Mr. RUSSELL. Yes, sir.

The CHAIRMAN. What do they complain of ?

Mr. RUSSELL. Their complaints are various. Some will complain of one thing, and another will say that just suits him, but there is something else wrong. You will never get two men to agree upon anything. I think this transportation question is the biggest question in this country.

Senator HARRIS. Have your neighbors been treated as well by the railroad company as you have ?

Mr. RUSSELL. I could not tell you. Perhaps they have been treated better. I do not know about that.

Senator HARRIS. The reason I ask that question is that you seem to be better satisfied than most people.

Mr. RUSSELL. I do not think much is made by complaining. I never did. I do not doubt but what there are times when men get better rates than I have, but I do not complain about it.

## GOVERNMENTAL ACTION DESIRABLE.

The CHAIRMAN. Do you think anything ought to be done by the Congress of the United States looking to the regulation of the inter-State commerce ?

Mr. RUSSELL. Yes, sir. I think something should be done for the good of the shipper as well as the producer; but just what that is, is a question that is pretty hard to solve.

The CHAIRMAN. How much grain, if that is not too personal a question, do you ship out of the State during a year?

Mr. RUSSELL. I could not tell without looking it up. I have shipped to the manufacturers of this city, in the last year, about 100,000 bushels a month for our home manufactures, besides some out of the State.

The CHAIRMAN. That product, of course, is distributed out of the city?

Mr. RUSSELL. Yes. It goes to Europe.

#### A NATIONAL COMMISSION.

The CHAIRMAN. You have no distinct idea as to what sort of legislation Congress ought to enact?

Mr. RUSSELL. I think a national commission would fill the bill, if it was not too hard to get to it. The great trouble now is that when there is any difficulty between the producer or the shipper they have to go too far to get the remedy, as a usual thing. It does not pay a small shipper to go to law with a railroad company, and he would rather lose his claim than to do it. Now, if this arrangement was made and it is very expensive, I do not think it would benefit us much.

The CHAIRMAN. You think the members of the commission should be in the different sections of the country?

Mr. RUSSELL. Yes, sir; so that the people can get at it without too much expense. I think we have too much machinery in all our business. Perhaps we have too many laws already. Legislation against railroad companies is a great deal like legislation against usury. We have usury laws. We all know how they can be got around and avoided. It is very likely if we legislate against railroads we will have the same trouble. They will get out of it some way. As long as these laws cannot be so arranged that they will be obeyed, it would be better not to have them. Let competition control them.

The CHAIRMAN. You believe in enforcing whatever laws are passed?

Mr. RUSSELL. Yes, sir.

The CHAIRMAN. Are you a farmer as well as a jobber?

Mr. RUSSELL. No, sir.

#### B. F. GUE'S STATEMENT.

B. F. GUE, stock-raiser, of Des Moines, appeared.

The CHAIRMAN. What is your business?

Mr. GUE. At present I am engaged in the stock business—raising fine stock.

The CHAIRMAN. Have you any suggestions that you can make to the committee in addition to what have already been made?

Mr. GUE. I do not know that I have. Notwithstanding that I was requested by the board of trade to represent the stock interest, as the stock interest bears about the same relation to the transportation companies that any other farming interest does, I thought it was not necessary to prepare any paper specially on that subject.

The CHAIRMAN. Give us your general views on the question.

## A NATIONAL COMMISSION CO-OPERATING WITH STATE COMMISSIONS.

Mr. GUE. In relation to the general matter of regulating or controlling transportation, I am of the opinion, after considerable thought on the subject, that the only practicable system or method of dealing with those various complaints that are made on the part of those who use the railroads, is through a State board of commissioners, to hear matters relating particularly to State transportation, and a national board, to which matters shall be referred relating to transportation from State to State. It is true we have in this State a State commission that has been on trial for a number of years, and in some respects I think the people are better suited, satisfied, than formerly. I think, in other words, that the relations between the people and the railroads are better now than they were in former years. I think the tendency of the commissioner system is to bring the people before a tribunal where they can lodge their complaints and feel that they have a fair examination of those complaints.

I think the defect in our law is, that while we have a board of commissioners generally composed of excellent men, and while they are authorized to hear all complaints, they have no legal authority to apply any remedy. When we come to just the point where we want a remedy applied for an evil, or to have an evil redressed, they lack the power to apply it. They can simply make recommendations to the legislature. We have biennial sessions of the legislature, and that practically leaves the people without any remedy, excepting so far as the moral power of recommendation of the board of commissioners may go with the railroad companies. I believe far more in legal power in such cases than in moral suasion. I believe, generally, it is best to have some method of reaching the evil and correcting it than simply to give good advice.

The CHAIRMAN. You think throwing grass amounts to nothing; that you ought to have the power to throw rocks?

Mr. GUE. Yes, sir. I think if our law was amended in that respect, and the power, under certain conditions, to fix the rates was lodged with a commission, the people would generally be satisfied. I am also of the opinion that the railroads will suffer no wrong.

## POWERS TO BE GIVEN TO A COMMISSION.

The CHAIRMAN. What would be the extent of the power that you would give a national commission, bearing in mind that you cannot go so far as to give the commission judicial powers without making them a court and appointing them for life?

Mr. GUE. Of course I would not be in favor of having a tribunal of that kind appointed for life. I think that would be a very doubtful remedy. Taking the lesser of the two evils, I would give them all the power that they can constitutionally exercise, without being made a court—give them the power to fix rates in certain cases.

The CHAIRMAN. And make their findings, in cases of dispute between shippers or business men and railroads, *prima facie* evidence of their correctness in court?

Mr. GUE. Yes, sir; I would go further, if it was constitutional, and make them the final deciding power. As they would be men who had given special attention to this question of transportation, they probably would be more competent than the average Congressman or the average legislator to deal with this entire subject.

The CHAIRMAN. Or the average judge?

Mr. GUE. Yes, sir; or the average judge.

## PUBLIC SENTIMENT AS TO RAILROADS.

The CHAIRMAN. In view of what you have heard here, what is your judgment about the feeling in the State here in relation to railroads? Is there a very universal dissatisfaction, or otherwise?

Mr. GUE. No; I do not think there is a universal dissatisfaction. Several years ago, and for a number of years, I was the publisher of our agricultural paper here at the capital, and it was what was termed "anti-railroad"—that is, it was in favor of regulating rates by some power. I had opportunities then to hear complaints from all sections of the State, and while there are complaints and continual dissatisfaction arising on various matters, I think the dissatisfaction is growing less from year to year. I think the tendency is in that direction.

The CHAIRMAN. As the people and the railroad managers come nearer together and become better acquainted, the complaints become less numerous.

Mr. GUE. Yes, sir. In relation to this commission, the people feel that that is the only tribunal before which a citizen can enter his complaint with a reasonable probability of its being considered.

The CHAIRMAN. In this State?

Mr. GUE. Yes, sir; under our State commission. That being the case, if that commission had the power to apply the remedy, after examining into the facts and the justness of the case, I think we would have a law that would perhaps be as perfect as we well could have it, with the present light on the subject; and I think there would be very little of what is generally termed hostility to the railroads and railroad managers.

## POOLING.

The CHAIRMAN. Do you share the sentiment that has been expressed here by several gentlemen in opposition to the pooling system?

Mr. GUE. I understand the pooling system to be somewhat like this. Perhaps I am not thoroughly posted as to the nature of a pool. Where a number of railroads, for instance, come to Des Moines, or Omaha, or Council Bluffs, and their starting point is Chicago, they agree upon a division of the amount that shall be received for the transportation of goods from Des Moines to Chicago over those lines. That, of course, they have a right to agree to. I find no fault with that. But they have the further arbitrary power (which is a dangerous one to exercise, perhaps) of a combination having control of all the lines between here and eastern points, and fixing an unreasonable rate, for which we have no remedy. To that part of the pool system I object. I think that is wrong. I think there ought to be a tribunal to determine the rates. Let them make a division, as they please. That is something they have an interest in, and the public has not. But when they come to fixing the rates, the public has a deep interest in it, and, as they are common carriers, there ought to be some tribunal that should require them, in a pool of that kind, to fix reasonable rates. Then I would not object to the pool system.

The CHAIRMAN. If all the rates were subject to the supervision of the national commission, that would reach the point you suggest?

Mr. GUE. That, I think, would be the remedy.

## RIGHT OF SHIPPER TO SELECT ROUTE.

Senator HARRIS. In this pooling arrangement, in order to give to each of these transportation companies its percentage of the freights,

the pool must necessarily have the power to divert freights from the line the shipper selects?

Mr. GUE. Yes, sir; I presume he has no choice in the matter.

Senator HARRIS. Do you not think the shipper should have?

Mr. GUE. Well, I do not think he has very much interest in the route over which his grain or cattle or goods are transported to market, provided he gets them there at a reasonable rate.

The CHAIRMAN. Suppose they get diverted to a line that is irresponsible and that is poorly equipped, and the property, whatever it may be, is delayed?

Mr. GUE. That would be a cause for having a choice.

Senator HARRIS. Or worse than delayed. Suppose they are lost, and the railroad over which it has been diverted is insolvent?

Mr. GUE. Such a case might occur. In such cases as that the shipper ought to have some power to determine.

Senator HARRIS. To guard against that, do you not think the shipper ought to have the absolute right to designate the line over which his property should pass?

Mr. GUE. I do not see any objection to it, and I do not know but that it would be right in some cases, perhaps.

#### REBATES.

The CHAIRMAN. Do you know of any considerable practice of paying rebates in this State?

Mr. GUE. I have heard that it is quite common to allow rebates; but as to the facts in the case, I am not informed.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. Have you any distinct conclusion in your mind on the question of the long and short haul, as to whether any legislation should be had on that subject?

Mr. GUE. I am of the opinion clearly that a greater rate should not be charged for a shorter haul than for a longer one.

The CHAIRMAN. You mean a greater amount?

Mr. GUE. Yes, sir; in the aggregate.

The CHAIRMAN. Do you think it would be safe to declare that in a statute?

Mr. GUE. I think it would, for the reason that the exceptions mentioned here this morning, and at other times, are likely to be so infrequent that I think there would be no hardship in the matter. I think the benefit derived from the law would be far greater than any evil that might arise, or any injustice.

The CHAIRMAN. Any evil that could occur in the transportation?

Mr. GUE. Yes, sir.

Senator HARRIS. Is there not another benefit to be derived from such a prohibition? Take a competing point to Chicago, such as Des Moines, where there is sharp competition, with five lines for the through freights. If the local rates depended in some measure upon the through rates, would it not have a tendency to prevent the cutting, due to competition, not infrequently indulged in by the railroads?

Mr. GUE. I think it would. It is evident to any one that the building of five, six, ten, or twenty lines of road affords no competition (as we have always been led to believe that it would, in the propositions made to us to pay taxes to build railroads) in consequence of this pool

system. It absolutely prohibits competition. It defeats the very argument that they used to induce us to pay taxes in order to get additional railroads.

#### STABILITY BETTER THAN OCCASIONAL LOW RATES.

The CHAIRMAN. Which is the more important to the business man, stable rates or occasionally getting a very low rate?

Mr. GUE. I think stable rates, without any doubt. It enables him to know what his business is, to know what he can calculate on for profits, what his expenses will be.

The CHAIRMAN. Has, or not, the pooling system had a little tendency to make the rates stable?

Mr. GUE. I do not know that it has, for the reason that the members of the pool can at any time change the rates. While the pool is in operation, and is observed by all the parties, of course rates would be stable; but there is no assurance to the buyer or the shipper that that pool will last for any particular length of time without being violated by some of the members.

The CHAIRMAN. There would be no assurance if there were no pools that any one railroad would maintain a given rate, unless there was some legal authority to require it?

Mr. GUE. No, sir. That is a very difficult matter to reach.

#### THE UNIT OF TRANSPORTATION.

There is one other point that I would just express my opinion upon, as it has been discussed so much, as a matter of very great interest in the State, particularly to the class that I and Parker represent. That is, as to whether the car-load shall be the unit. Whether the man who ships a car-load of stock on his own account shall get a car for the same rate that the dealer gets three or four or five or ten cars to ship the stock that he has bought of the farmer. In that question the interest of all the farmers, the producers, and of all classes is identical, and their interest is that they should have as low a rate as that given to the commission man who buys their stock and ships it in two, three, four, or five cars. Some of the witnesses here who have undertaken to justify the lower rates in consequence of the number of cars to be sent, base it—I believe it is the only argument I have heard in favor of it—on the ground that it costs something to make out additional shipping bills. I take it that that is such an insignificant expense that it is not worth while to be taken into consideration. The difference between making out a bill of lading for one or two cars and twenty cars is an insignificant expense.

#### THE WHOLESALE AND RETAIL PRINCIPLE.

Senator PLATT. They justify it on the ground that it is right that a man dealing in large quantities should have smaller rates. They make it broadly on the ground that they are entitled to it as a wholesale business?

Mr. GUE. Yes, sir.

Senator HARRIS. Do you not think there is even less merit in that ground than in the other?

Mr. GUE. I think there is none at all in that ground, for the reason that the one man who ships fifty cars of hogs may have no particular business except to buy and sell and make what money he can on that

transaction. The fifty other men are farmers. They are his neighbors. They invest their capital and their labor in the production of the fifty cars of hogs. They come to the station to ship those hogs, and if they ship them separately, one car at a time, under the present ruling of our railroad commission and the present practice of the railroad companies, the farmer who ships his one car must pay a higher proportionate rate than the dealer who ships his two, three, or four cars; and all the fifty men must suffer that higher rate. Now, why one man or a corporation calling themselves a commission firm should have better rates than ten or fifty farmers who would ship in the same number of cars, at exactly the same expense, I cannot see. If there is any justice in it—I have listened carefully to the arguments in justification of it—I have not been able to see it.

Senator PLATT. What is the actual difference that is made to those who are called wholesalers over what are called retailers?

Mr. GUE. I am not informed as to that. That is regulated entirely by the railroad companies.

Senator PLATT. I intended to ask somebody what the difference was. This was an open transaction where the jobber's rate was given, was it not? There was no secrecy about it?

Mr. GUE. As I understand it, it was founded upon the theory that jobbers, in order to do a jobbing business at Des Moines, should be entitled, for instance, to a special rate that would enable them to compete with jobbers at other places; and that, consequently, they should have better rates than a smaller dealer who is not especially doing a jobbing business.

Senator PLATT. It is claimed on the ground that it is a good thing to build up a jobbing trade here, and that it is necessary in order to have a jobbing trade here that there should be special rates.

Mr. GUE. Yes, sir; I understand that that is the argument. In such an extreme case as that there may be some plausibility in it. But when it reaches to \$124,000,000 of stock raised in the State of Iowa, and \$136,000,000 of other farm products, it is a vast amount taken out of the pockets of the farmers for the benefit of a few towns, or a few jobbers in a few towns.

Senator PLATT. Do you get a lower rate if you ship a few car-loads only than the man who ships one car-load?

#### THE CAR-LOAD AS THE UNIT.

Mr. GUE. As I understand it, the question was brought before the Railroad Commission some time ago, and at the first hearing the Railroad Commission decided that they would make the car-load the unit, and that where a man shipped a car-load he should have the benefit of the same rate as the man who shipped two, three, five, or ten car-loads. Afterwards, as I understand it, the commissioners reversed that decision in a case that was brought up, and they permit the railroad companies now to allow a rebate, or a less rate to the one who ships more than one car-load.

Senator PLATT. They draw the line on one car-load or more?

Mr. McDILL. I was not a member of the commission that decided that question. I do not think there was any given number of car-loads mentioned; but the general idea was that it was right to give jobbers who were in fact jobbers, or wholesale dealers, a lower rate, and that was sustained by the commission in the decision you refer to.

Senator PLATT. Can you tell what the difference is between a jobber's rate and a retail dealer's rate?

## SPECIAL RATES TO JOBBING MERCHANTS.

Mr. GUE. I cannot state in so many words. There are plenty of wholesale dealers here who might be able to state. The difference was a slight one. It is now entirely withdrawn.

Mr. McDILL. It is not in existence now. The railroad companies, as soon as the agitation commenced, withdrew the rates. They had to do it.

Senator PLATT. But it is strongly suggested that they make it in certain instances in the way of rebates.

Senator HARRIS. If I understand it, the difference in rate did not depend upon the number of cars at all, but depended upon the business in which the shipper here was engaged.

Mr. McDILL. That was the way I understood the commission viewed it. It was a question whether jobbers and wholesale dealers could have a special rate from that given to retailers. It did not make any difference whether he was a wholesale dealer or not. The idea was to give a protection to the trade center.

The CHAIRMAN. To give the jobber a little special privilege?

Mr. McDILL. Yes, sir; that was it.

## R. D. KELLOGG'S STATEMENT.

R. D. KELLOGG, farmer, appeared and said:

I think, after all the testimony I have listened to here to-day, that anything I could say would not enlighten the committee at all.

The CHAIRMAN. You are carrying on a farming business, are you?

Mr. KELLOGG. Yes, sir; I have been engaged in farming for thirty years in Iowa, and as a stock-raiser.

The CHAIRMAN. You have been listening to these other gentlemen, and especially to the agricultural gentlemen. Do you think of anything you could suggest in addition to what they have said on this subject?

Mr. KELLOGG. There has been such a multiplicity of opinions here that I could not well consistently approve of all of them.

## THE LONG AND SHORT HAUL.

The matter of the short and long haul I was especially interested in. To state it bluntly, I thought that no ordinary business man could consistently advocate the idea of a similarity of rates, or pro rata rates, for the long and short haul. When one of the gentlemen testified in favor of that, it occurred to me that I paid for my stock from my place to Chicago at the rate of about fifteen cents a mile for a car-load. I had occasion to want to ship a car-load only seven miles, and had to pay fifteen cents a mile, taking the day that the car was lying idle, and they sent for it thirty miles, and took a day to load and a day to unload. At a pro rata rate I thought it would be a poor business. I could see no way out of the dilemma, provided a pro rata rule was established, unless a charge was made of so much for each car for loading it and so much for unloading it, and so much for demurrage for time detained. There must be a difference between a short and a long haul, or this would be the result. If an amount was charged which would be a reasonable compensation for a short haul, that would force the railroad company to charge those who have a long haul a price that would debar them from doing business with the railroad company.



The CHAIRMAN. I do not understand that it has been insisted that here should be a pro rata rate, so as to charge so much per mile on a long and short haul alike.

Mr. KELLOGG. Many advocate that; and, if I am not mistaken, one party did who testified here. I paid quite close attention to him; but perhaps I might have been mistaken.

The CHAIRMAN. The question we have generally put to gentlemen who have come upon the stand has been whether they believed a law prohibiting the payment of a larger sum for a short haul than a long haul would be a safe law to pass. That is to say, whether Congress should enact a statute that would prevent a man, shipping goods from Chicago to a place 50 miles east of here on the same line of road that Des Moines is on, from being charged more than the man is charged living in Des Moines?

Mr. KELLOGG. It would seem that that would be unjust on general principles.

The CHAIRMAN. Would it be safe, in your judgment, to leave that subject to a commission, or should it be prohibited absolutely in all cases?

Mr. KELLOGG. The errors that would grow out of the passage of such a law would be so few in proportion to the benefits to be derived from it that I would favor the passage of such a law. I think, however, it would be difficult to pass any general arbitrary law that would touch all cases involved. It would be very difficult to pass any arbitrary law, with the light that people have before them now, that would not work injustice in some instances.

The CHAIRMAN. You mean, to pass any law that would undertake to provide against all complaints that we may hear of?

Mr. KELLOGG. Yes, sir; that would be an impossibility.

The CHAIRMAN. Where do you reside?

Mr. KELLOGG. I reside in the southern part of the State—at Garden Grove, Decatur County.

#### PUBLIC SENTIMENT AS TO RAILROADS.

The CHAIRMAN. What is your understanding of the feeling of the people of your section in reference to the railroads of the country?

Mr. KELLOGG. At a time when our crops were very light—which was the case a few years ago, when the price of oats was ten cents—there was no market in the world that we could ship them to and pay what any one would justly regard as a reasonable compensation for transportation, and leave to the agriculturist any compensation for his labor; and, as a matter of course, there was universal complaint. They thought the railroads ought to yield and help bear the burden. Yet at the same time, as was remarked by Mr. Gue here, the complaints are growing less and less, and there seems to be a disposition on the part of railroad companies, so far as I have been able to discern, to live and let live. I have heard of some complaints with reference to shipments from the western part of the State, that we in the interior part have to pay as much as or a greater price than at the west. Perhaps that is not because we feel that we pay too much; but you and I may go and stop at a hotel, and if they charge me \$2 a day and charge you \$5 a day, you will not like it. It is on that principle.

The CHAIRMAN. I would prefer that the extra charge should be against you?

Mr. KELLOGG. Yes, sir; we are near enough human to feel that way.

## A NATIONAL COMMISSION.

I personally would think, with the light that we have, that a national commission large enough and to hold its office long enough, and composed of men who would be like Cæsar's wife—above suspicion—who could honestly adjust any seeming difficulty that might arise between the people and the railroads, would be the best remedy. Perhaps it would be necessary, if a complaint came up, to go to a State commission, and on their indorsement and recommendation to a national commission; then it would get the ear of the national commission more readily. But it is a very large question. I regard it as the greatest question the American statesmen have to deal with at the present time, not only in a financial way, but should the great masses of the people of this country get to feel that there was warfare between capital or the railroads and themselves, the results would be difficult to predict.

The CHAIRMAN. It would be disastrous to all concerned?

Mr. KELLOGG. It would be disastrous; and I am inclined to that opinion from having talked with at least two railroad presidents and one or two railroad managers, a few years ago when here in the legislature. I warned them against turning a deaf ear to the reasonable demands of the people. I told them there would be a bad harvest in store for them if they did.

The CHAIRMAN. You have lived some years in the State?

Mr. KELLOGG. Thirty odd years.

## THE PRESENT IOWA LAW BETTER THAN FORMER LAW.

The CHAIRMAN. And you know the influence and operation of the first law and then of the present law. Which do you regard as having been the most satisfactory to the people?

Mr. KELLOGG. I think the present law is more satisfactory than the law we had at that time. I know I had occasion to ship some sacks of seed wheat under the old law. I think my bill under the law was about four cents for returning the sacks and making out the way bill and keeping the account in the office, and sending the way bill along by the conductor to the office where they came, and my receipt for that. I was ashamed to put people to that much trouble for that little compensation. I only allude to that as showing how crude the law was, and that it was not practicable in its results.

## EFFECT OF IOWA COMMISSION.

The CHAIRMAN. From your observation, do you think it is or is not the fact that the commission, if it does its duty, does much toward bringing the people and the railroads together, and has the tendency to lead them to understand the feelings of each other?

Mr. KELLOGG. Very much, indeed, because oftentimes the grievances are more imaginary than real. The people feel that they are not entirely ignored. They feel, as it were, that they have a friend at court. They feel that they have some one who would give a listening ear to their complaints, and that, if they had any grievances, they would endeavor to right them. They cause a feeling of assurance and confidence and satisfaction.

## JAMES W. McDILL'S STATEMENT CONTINUED.

JAMES W. McDILL appeared.

## DISCREPANCY BETWEEN CAPITALIZED AND ASSESSED VALUES.

Senator PLATT. Judge McDill, I would like to ask you a question. A statement was made here this morning that the stocks and bonds of the railroads of Iowa—I do not know exactly what was meant by “Iowa railroads”—amounted to \$258,000,000, while the roads were assessed, as a basis of taxation, at only about \$30,000,000. Can you give us some explanation of why there should be such a difference between what the railroads insist is the value of the roads, as represented by their stocks and bonds, and what they pay taxes on?

Mr. McDILL. Our tax law assesses stock and bonds held by citizens of the State; and of those \$258,000,000—I think it is that, although I would not be precise about the amount—there is only one million held in this State. The stock and bonds are assessed in this State, and taxed against the owner. The thing that is taxed under the railroad law is what you might call the plant, the line of the road, including in that the rolling stock.

The CHAIRMAN. The depots, &c.?

## IOWA METHODS OF RAILROAD TAXATION.

Mr. McDILL. Depots and all the appurtenances necessary to the operation of the road. In order to ascertain a value, so that the executive council can intelligently assess the railroads, they are required to make a report to the executive council before the time when they should assess of their gross earnings per mile. Then the executive council classifies the roads according to their earnings per mile, and makes an assessment upon the different classes. They first, as I understand it, determine what class a road belongs to, as Class A, Class B, or Class C. Then after they have determined that they make an assessment per mile upon the class, and that determines the assessment for each one of that class; and upon that taxes are levied, so that in one case their minds are brought to the consideration of stock and bonds, and in the other case to the consideration of the road itself. Any property that the railroad company holds or controls in the State, outside of its plant or of the bed, and what is necessary to operate it, is taxed as other property is taxed.

Senator HARRIS. It is treated as the property of every natural person is treated?

Mr. McDILL. Yes, sir. To illustrate it: We have land-grant railroads that have a large quantity of land. That land is assessed just as my land or that of any one else is assessed. It is only that portion that the railroad uses in the operation of the road that is included in this assessment per mile.

Senator PLATT. Where do the depot buildings come in for assessment?

Mr. McDILL. Depot buildings and round houses, and all that sort of thing, go into the general assessment per mile. They are included.

Senator PLATT. There is a very marked difference between thirty millions, or thereabouts, and \$260,000,000, or thereabouts, and it is

\$260,000,000 that the railroads are trying to earn interest or dividends upon, is it not?

Mr. McDILL. I suppose so. Take that portion of the \$258,000,000 that is represented by the indebtedness. That represents what they claim to be their debt.

Senator HARRIS. Does not the \$258,000,000 of stock and bonds purport to represent the property of the railroads within the State of Iowa?

Mr. McDILL. I understand it so. I understand that that is arrived at by endeavoring to separate that portion outside of the State from that portion that is in the State of Iowa. In that way it is arrived at.

Senator HARRIS. Hence the estimate made by the railroad companies of the value of their railroad properties within the limits of the State of Iowa, as represented by their outstanding stock and bonds, is in the aggregate about \$258,000,000?

Mr. McDILL. Yes, sir; that is according to our last report. I believe that is about the amount.

Senator HARRIS. When Iowa deals with that property for the purpose of taxation, if I understand you, the inquiry is not as to the value of this railroad property, but as to the gross earnings of each line of road?

Mr. McDILL. Yes, sir.

Senator HARRIS. Does your tax law provide for a taxation to be based upon gross earnings, or upon probable value, in respect to railroads?

Mr. McDILL. It is based upon the value, but the executive council is directed to arrive at the value in the way I have indicated.

Senator HARRIS. It is directed to arrive at the value by ascertaining the gross earnings?

Mr. McDILL. Yes, sir; that is the theory of the law, as I understand it.

Senator PLATT. Do the railroad commissioners have anything to do with the executive council?

Mr. McDILL. No, sir; it is composed of the governor, the secretary of state, the auditor, and treasurer.

Senator PLATT. What is the general understanding about the taxation of all property? How is farming property assessed for taxation with reference to its real value? Is it assessed at what a man would sell it for, or is there no rule?

Mr. McDILL. I think the general rule, so far as I have been able to observe it in the State, is to assess it at about one-third its actual cash value. I do not know exactly the method of the executive council, but my impression is that they have aimed to do about the same thing with reference to the railroads—that is, they would think a railroad would be worth about \$36,000 a mile, and they would tax it at about \$12,000 a mile. Of course, I am guessing when I explain my idea of how the executive council would get at it.

#### WESLEY REDHEAD'S STATEMENT.

WESLEY REDHEAD, coal and hay dealer and dealer in stationery and wall-paper, appeared.

The CHAIRMAN. You have listened to the remarks here. We would like to hear what you have to say, in your own way, upon the subject under investigation by the committee.

## COAL DEALERS AND THE POOL.

Mr. REDHEAD. I have heard considerable, and I am considerably mixed up in the matter—the questions are so various—and there is so much in it. This is such a big subject that it is really almost embarrassing to me. In regard to the coal interests, the coal men here would like to have stable rates, if they can be had. In regard to this pooling arrangement, I would say that there was a pool here which went into operation some time ago. Last summer the pool was “busted,” as the saying is. Consequently, they rushed coal into this market. We deal largely in domestic coal, as well as foreign coal. We mine coal out here. We also deal very largely in Pennsylvania hard coal. There are probably in this market 500 cars of Pennsylvania coal sold for domestic purposes. That comes from Pennsylvania, and, of course, it comes through Chicago. The pool rates from Chicago here, by the car-load, are \$3 a ton. Last summer there was a “flurry.” Some of the roads “busted” the pool rates, and they shipped it in here for \$1.60 a ton. The consequence was that one Chicago house shipped in a good deal of coal. There are several hundred tons of that coal here now that are being sold for \$2 a ton less than we can now buy it for in Chicago and pay the present pool rates. So that we think the breaking up of the pool has worked a great hardship to us.

## COMPETITION WANTED.

At the same time, I have been rather inclined to think that we ought to have fair competition with railroads which come here, from the fact that when the Keokuk and Des Moines road first came here we worked hard to get another one, the Rock Island, and after we got that road here they bought out the other, and we still had but one road. So we made connection with the North Western, and invested considerable of our funds to get it, and after that got here they pooled. Then we went for the Chicago, Burlington and Quincy, and thought if they got here we would have competition. As soon as they got here they pooled. We paid considerable money there too. Then we got “the fighting Wabash.” We thought it would stick by us. We thought it would die, but not surrender. But it came very near doing both after it had got here. Then we went in for the Diagonal, and we invested considerable money in it. But no sooner had it got here than it pooled. So that there is now a general pool. I was going to say that, so far as the coal interest is concerned, if we could have a stable, reliable, fair rate, we would be happy.

The CHAIRMAN. Do you think the pooling system prevents you from getting that?

Mr. REDHEAD. It certainly has, in the light of the facts I speak of.

The CHAIRMAN. It prevents your getting as low a rate as you could; but do you think it prevents your getting as stable a rate as if there were no pools?

Mr. REDHEAD. If there had been no pools and no cutting, and business was carried on in fair way as men carry on their business, it seems to me it would be all right.

The CHAIRMAN. Do you think it would be all right if pools were abolished or prohibited by law?

Mr. REDHEAD. That is a very hard thing for me to answer. I can hardly tell. I am inclined to think it would work better. They would be cleverer to us. The railroads would not be so very indifferent.

When they are all together they do not care. "If you do not ship over our line, you can go somewhere else." That is about the feeling.

The CHAIRMAN. Do you fare the best on inter-State shipments or State shipments?

#### RAILROADS ENGAGED IN THE COAL BUSINESS.

Mr. REDHEAD. I am alluding altogether now to shipments to Chicago. Then there is a complaint by the coal men on the question which has been argued here in regard to charges. But there is another complaint that I wish to speak of, as to which the coal men about here feel very much aggrieved. That is, that the railroads themselves are going into the coal business, and, of course, they beat us on rates. They can clean us out—that is the amount of it—and they have pretty nearly done it. I don't know whether or not we can help that, but we feel a little depressed about it.

The CHAIRMAN. Do you mean by their going into the coal business that they own the mines?

Mr. REDHEAD. Yes, sir; they own the mines.

The CHAIRMAN. Where?

Mr. REDHEAD. The North Western road owns mines down at Muchachinock, in this State; and some of the roads have mines, I think, at What Cheer, in this State, with heavy bodies of coal. The Milwaukee has mines near Oscaloosa. They ship to this point and compete with our market, and we cannot touch them when they have a mind to shut us out, of course. There is another grievance which the coal men here have in regard to mines lying east of us. For instance, mines at Newton and Colfax, lying directly east of us, have through rates to Council Bluffs at as low a rate as we have to this point. Our being that much nearer the market gives us no advantage.

#### THE REMEDY.

The CHAIRMAN. What is the remedy which you would apply for all these evils that you speak of?

Mr. REDHEAD. It would be to have a rate that would be in accordance with the distance.

The CHAIRMAN. How are you going to get your remedy?

Mr. REDHEAD. That is too hard for me to answer.

The CHAIRMAN. Do you mean by that that you want a pro rata law according to the distance, to charge so much per mile, whether the haul be short or long?

Mr. REDHEAD. Yes, sir. That would be their remedy, I think.

The CHAIRMAN. How much grain do you think your people would ship from here to Boston, or how much coal would you get from Pennsylvania, under such a law? Do you think you would get enough coal to make one fire?

Mr. REDHEAD. I do not know how that would work. I did not look into the thing far enough, probably, to see what the effect would be. I am only speaking of these complaints. Of course there may be no remedy for them.

The CHAIRMAN. You have not thought much, then, about the legal remedy?

Mr. REDHEAD. No, sir; none at all.

The CHAIRMAN. You are only speaking of the complaints that are made?

Mr. REDHEAD. We try to get these railroads to treat us as well as we can, and remain satisfied. Those are complaints that I hear from men in the same business. Of course I have no remedy to propose for those complaints.

The CHAIRMAN. Are there any other complaints?

Mr. REDHEAD. I do not think particularly of anything else.

The committee then adjourned, to meet at Omaha at 10 o'clock a. m., June 22, 1885.

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OMAHA, NEBR., *June 22, 1885.*

The committee met at 10 a. m., pursuant to adjournment.

#### N. B. FALCONER'S STATEMENT.

N. B. FALCONER, retail dry-goods merchant, appeared.

The CHAIRMAN. We are a committee sent out here by the Senate of the United States to make some inquiry in relation to the question of regulating commerce between the States. We are anxious while here to get the views of men representing different business interests, as well as the farmers, railroad men, and all classes of people who wish to say anything on this question. If you are prepared to be heard, you may give your views in your own way on the general question.

#### POOLING.

Mr. FALCONER. The greatest trouble we have had here has been with the pooling arrangements. We have thought that Omaha has been used worse by the railroads than any other terminal point in the country. We have had a great deal to contend with. We have a city here of nearly 60,000 inhabitants, and you might say we have no connection whatever with the Eastern States. We are practically cut off. This is partly caused by the bridge. Until very recently we have not had a single line running into Omaha, and the interests of Omaha have been totally neglected. They seem for some reason to have worked against Omaha.

#### OMAHA NEGLECTED TO AID COUNCIL BLUFFS.

One reason given for it was that some of the directors of the railroad company own a large amount of land over in Council Bluffs, and they were trying to build up a city there. That has been a failure. In the mean time we have had to go without any connection or any railroad depot. When we start to go to Chicago, we leave here about five o'clock, and between seven and eight we are still within sight of our own city.

The CHAIRMAN. You are still on the other side of the river.

Mr. FALCONER. On the other side of the river. There seems to be no cure for it. We are entirely in the hands of these monopolies. There are four or five lines running between here and Chicago, and if any line dares to run in here the other lines sit upon it. The Chicago, Burlington and Quincy Road built a bridge, and for two or three years they did not dare to run a train over that bridge, because the other lines would immediately have quarreled with them. There is nothing that

shows more clearly than that fact the necessity for Government interference.

The CHAIRMAN. They are able to control the other lines by being in this pooling system?

Mr. FALCONER. Yes, sir, and by threatening them in other districts of the country. It is a most complete instance of that when a railroad man builds a bridge and dare not use it to come in here. Recently they have made an arrangement and have come in, but they dare not make any faster time than the others. Of course most of us go by that line now when we go out of the city.

The CHAIRMAN. Who owns this bridge?

Mr. FALCONER. The bridge is owned by the Union Pacific Company, I believe. It is owned by a company inside.

The CHAIRMAN. A company inside of the organization of the Union Pacific Railroad corporation?

#### FAST FREIGHT LINES

Mr. FALCONER. Yes, sir. That brings up another subject. That is, their fast freight lines. These fast freight lines seem to us merchants to be nothing else than an arrangement for the directors of the company to beat the public and the railroad companies. For instance, if any company wants to start a fast freight line from here to New York, they cannot do it except by permission of these companies. These men have acquired the franchise. They are mostly directors and friends of the company. The result is that the five or six different lines—such as the Blue line, the Empire line, and the White line—are all the same to us. None of them can make any better time.

The CHAIRMAN. Do you know anything about who actually does own those lines?

Mr. FALCONER. No, I do not positively know, but it could be easily ascertained. The supposition is that they are owned by the directors and their friends. In fact, the franchise is so valuable that it is quite plain it must be owned by them.

The CHAIRMAN. Do you ship goods over these different lines?

Mr. FALCONER. We ship goods over those different lines.

The CHAIRMAN. How do you go about making the contract?

Mr. FALCONER. We go to the Empire line, say. There are young men in each city to attend to the collecting of the freights and to getting the goods forwarded. I may say it is almost a sinecure. It is a thing that is given away by influence to young men connected with the East who have friends in the railway companies. There is almost no competition between the lines, because, as I say, no one can offer any particular advantage. They are all the same.

The CHAIRMAN. When you ship goods by means of one of these lines, if you have any difficulty with them, do you know whom you would have to sue?

Mr. FALCONER. There is a head company in New York. Their head offices are there. We would sue them.

The CHAIRMAN. You would have to go to New York to bring a suit?

#### SLOW TIME ON FREIGHT WEST OF CHICAGO.

Mr. FALCONER. Yes, sir. Another evil connected with it is that goods coming from New York to us during the last two or three years have taken from fourteen to twenty days, first class. Some two or



three years ago I made special efforts to get at the basis of these things, because I found that our goods were coming at the rate of 4 miles an hour, first-class freight, which is about as fast as a horse could walk. I made special inquiries to get at the bottom of it, and I found that the goods came to Chicago, which is over 800 miles, in about two days, and that the whole of the balance of that time was wasted by these pool lines in Chicago in quarreling and fighting over our stuff, as to dividing the shipments. They would spend a week, perhaps, fighting and quarreling over it.

Then another evil came in when the shipment got to the bridge here. Sometimes two or three days were wasted at this bridge, cars having to be all unloaded and fixed up there. The interests of the merchant are totally disregarded. Latterly we are getting goods in about eleven days.

The CHAIRMAN. From where?

Mr. FALCONER. From New York. That is much better than it was. But we ascribe that to the universal dullness of business, and because they really have very little to fight and quarrel with.

#### SHIPPER'S RIGHT TO SELECT ROUTE.

The CHAIRMAN. When you buy goods at New York do you get a through shipment to this point?

Mr. FALCONER. Yes, sir.

The CHAIRMAN. Do you indicate the lines over which you want the goods brought here?

Mr. FALCONER. We did that, but some years ago they refused to obey.

The CHAIRMAN. How is it now?

Mr. FALCONER. I scarcely know whether they have modified it, but I think they have slightly.

The CHAIRMAN. I believe the roads pretend that they have yielded on that question?

Mr. FALCONER. Yes, sir; I believe they have.

#### THROUGH BILLS OF LADING.

Senator PLATT. Do you get a through bill of lading from New York to Omaha?

Mr. FALCONER. Yes, sir.

The CHAIRMAN. At Saint Louis, where we were, the people of Springfield, Mo., complained that they could not get a through bill of lading for goods from the East to their point; that they had to bill them to East Saint Louis, and then from there to their place at local rates.

#### PUT RAILROADS ON BASIS OF POST-OFFICE.

Mr. FALCONER. That is the same trouble as with the bridge again. I am in favor of this railroad business being worked upon a similar plan to the post-office. I think these companies should be entirely under the control of the Government. They have all the private property of the country at their own price and on their own terms. They have robbed and swindled the country for twenty or thirty years in every possible way. We think they should be placed upon the same system as the post-office—and that is, one price per mile for freight.

The CHAIRMAN. Do you mean you would charge as much per mile for 1,000 miles as for 10 miles?

Mr. FALCONER. Yes, sir; but I would pay for handling at the depots.

The CHAIRMAN. You would separate the terminal expenses from the charges for hauling?

#### TERMINAL AND HAUL CHARGES KEPT SEPARATE.

Mr. FALCONER. Yes, sir; I would keep them separately so that if a thing went from here to Florence, 10 miles, the same price would be charged for taking it into the car and putting it out as if it were 1,000 miles. The great advantage we would get would be simplicity, and we would avoid the roads beating us. We must sacrifice everything to simplicity in our law. If we have a railroad commission appointed to run this business, it would be possible for them to be under personal influence somewhere. But if we have one fixed rule, that fixed rule would work to the detriment of some place, while it would be to the advantage of others. So with the post-office system. For instance, in New York or in this city we could get our letters delivered for half the price by some private companies, but it is to the advantage of the whole country to have a little greater charge.

The CHAIRMAN. You get a letter from Boston to Omaha for 2 cents.

Mr. FALCONER. Yes, sir.

The CHAIRMAN. You get it just as cheaply as does the man who lives in the next town or on the borders of the same town?

Mr. FALCONER. Yes, sir. He might claim that that was against him; so it is against him, but it is for the advantage of the whole country.

#### THE SAME RATE PER MILE ON ALL FREIGHTS.

The CHAIRMAN. Let me see what you mean by this charge of the same rate per mile for long and short distances.

Mr. FALCONER. I mean there should be so much price put per ton per mile; and again, that there should be no difference in freights—that wheat should not go any cheaper than dry goods, if it goes on the same train.

The CHAIRMAN. Have you thought enough about this matter to be certain in your own mind that in making that the law of the land it would not so severely operate against the people 1,000 miles from the seaboard, for instance, as to prevent them from getting anything from there to the seaboard.

Mr. FALCONER. I think it would make it cheaper for them.

The CHAIRMAN. Do you think it would make it cheaper for the people raising corn in Nebraska if we had a law providing that the transportation should be so much per ton per mile?

Mr. FALCONER. I think it would. It would save a great deal of clerical work to the railroads. It would save a useless expense everywhere. It would simplify the railroad system immensely.

#### CLASSIFY TRAINS AS TO SPEED.

Again, in the place of having different classes of freight if they had different classes of trains it would be an advantage. They could have a first-class train and let us put what we wished to on that first-class train. That might go at the rate of 15 miles an hour. Then they could have a second-class train, which could go at 7 miles an hour. They could also have a third-class train, that could go at 3 miles an hour, on which they could carry grain and iron and that class of freight. It is not fair to have these first-class goods paying three times the price

of third-class freight and the first-class goods go on the same train, as they often do.

The CHAIRMAN. Do you feel that there ought to be a law requiring the same rate per ton per mile for freight going a long distance as for freight going a short distance?

Mr. FALCONER. I do. The result of that would be to regulate every railroad in the country. Some of the railroads would not pay quite as well, but we cannot have everything right.

Senator HARRIS. Have you arrived at a conclusion as to what that rate ought to be?

Mr. FALCONER. No, sir; I have not figured it out.

Senator HARRIS. If you allow so much per ton per mile for 10 or 20 miles, and you apply the same rule to a shipment to go 1,000 or 2,000 miles, have you ciphered it out to see whether it would be possible on that principle to send freights for long distances, especially such as corn and other comparatively cheap commodities?

Mr. FALCONER. I have not figured that out, but it is a question that could be very easily figured at their present rates.

The CHAIRMAN. What do you pay now for a car-load of freight from here to New York?

Mr. FALCONER. Ours is all first-class freight, you know. We pay so much per hundred pounds.

Senator PLATT. What is the rate per hundred pounds?

Mr. FALCONER. I should have to look to find out. It was altered lately.

Senator HARRIS. Will you state approximately what it is?

Mr. FALCONER. It ran a long time at \$1.65 a hundred from here to New York, and I think it is now \$1.39.

The CHAIRMAN. How much would that be per mile?

Mr. FALCONER. I have not figured that out. You can figure the distance to be 1,500 miles.

The CHAIRMAN. If it is \$1.65 a hundred for 1,500 miles, how much would it be for one mile?

Mr. FALCONER. Practically it would be 2 cents a ton per mile.

The CHAIRMAN. Suppose you wanted to send a ton of goods to a station 5 miles out in the country from here, how much would the railroad get for carrying it?

Mr. FALCONER. They would get 10 cents; but they can get a handling price at the depot. They can make a figure as large as they please for handling. In drawing the law that can be arranged.

The CHAIRMAN. If that were the case, we would not be regulating them very much.

Mr. FALCONER. In drawing up the law that could be fixed at a heavier price so that it would pay.

The CHAIRMAN. Would you fix it so much heavier as to give the railroad company a fair compensation for hauling the goods the 5 miles?

Mr. FALCONER. Yes, sir; because this is to be considered in that matter: One of the greatest difficulties is the handling of it and the sidetracking it. I would give them a large charge for that.

The CHAIRMAN. Your idea, then, practically would be to make a law that would pay the railroad a fair compensation for hauling a short distance as well as a long distance?

Mr. FALCONER. Yes, sir. My plan is simplicity; not at all to rob the railroads.

The CHAIRMAN. I am afraid on your basis the simplicity would not be very apparent.

Mr. FALCONER. It could be so much for each handling. It might be fixed at so much per ton for the handling. It might look large.

Senator HARRIS. Would you not allow the shipper to load and unload his own cars if he chose to do so?

Mr. FALCONER. No, sir; because one of the expenses is the waste of time in stopping the car.

The CHAIRMAN. Suppose I have a car-load of freight that I want to ship 10 miles out, and you have a car-load that you want to ship 1,000 miles away; are you going to allow the railroad to charge me more because I only shipped my goods a short distance?

Mr. FALCONER. No, sir. The same rate for handling would be charged for both; but it would be much smaller in proportion to the man who sent freight the farthest distance away, although he would have the largest price to pay after all.

The CHAIRMAN. It is just as much work for the railroad companies' employes to get my freight loaded up as to load yours?

Mr. FALCONER. They would pay the same price.

The CHAIRMAN. If they paid the same price for loading, how is the railroad going to get any profit out of hauling my car-load only ten miles?

Mr. FALCONER. We will suppose they are paid \$5 a car for loading and unloading. The man who sends the freight ten miles would pay perhaps about 40 or 50 cents freight charges and \$5 for loading if we could get it simplified. The man who sent freight 1,000 miles would pay perhaps \$10 for car-fare and \$5 for handling. That would be \$15 that he would pay.

The CHAIRMAN. You think it could be arranged so that there would be no inequality between the two shipments?

Mr. FALCONER. I think so; yes, sir. It could be simplified.

The CHAIRMAN. And at the same time you would make the same rate per mile for each?

Mr. FALCONER. Yes, sir.

Senator HARRIS. Before you get away from this rate question I would like to ask you whether you would make that rate apply to all the railroads in the United States?

Mr. FALCONER. I would apply it to every railroad, and to all that were to be built.

Senator HARRIS. Would you allow the railroad that costs twice as much to build and operate as other railroads to take the same rate of freight as the railroad which was more cheaply built and more cheaply operated?

Mr. FALCONER. Yes, sir, under that system; but against that is the fact that that railroad would be taking in a large amount of money any way because of having a larger amount of traffic. I have lived a large portion of my time in England and have done business there. Some of the most expensive lines running in England pay the best. Take the Lancashire and Yorkshire line. It runs through a populous district and its amount of freight is so enormous that it is the best-paying line in the country.

Senator HARRIS. Take the illustration of a line of railroad constructed over a comparatively level country, and another line running through a mountainous country. The one costs \$30,000 a mile to construct and the other costs \$60,000 a mile. The one costs twice as much to operate, day by day, as the other. If you allow the same rate of freight upon each, would you not allow a rate of freight upon the one that would be an exorbitant rate upon the other?

Mr. FALCONER. No; such a road would not have so much traffic generally. There is no doubt, as I said at first, that some lines would suffer, but the rule would be best for the whole country.

Senator HARRIS. Would it not ruin some lines and build up others which would get excessive profits?

Mr. FALCONER. I do not think it would.

#### THE BASIS OF CHARGES FOR TRANSPORTATION.

The CHAIRMAN. What do you think ought to be the basis of a charge for the transportation of freight? Should it be the price of the commodity shipped, or the cost of the railroad?

Mr. FALCONER. I think the cost of the commodity ought not to be considered at all. That is the reason I say that instead of having different classes of freight there should be different classes of trains. If it did not pay to ship a certain article, it is not right to tax me on my freight in order to allow that article to be shipped.

The CHAIRMAN. On what basis would you allow the railroad company to figure how much it should charge? For instance, here is a railroad worth \$30,000 a mile. Would you allow that road to charge a rate that would give a fair profit on the actual value of the property, or what should be the basis?

Mr. FALCONER. I think the basis should be on what the lines can be built for. Nearly all of those lines have been swindles in the act of construction. I do not think the public should be swindled continuously. The rate ought to be on the basis of what the lines should have cost.

The CHAIRMAN. If it were on the basis of what the lines actually cost, you have one line that cost \$30,000 a mile, and another that cost \$60,000 a mile. Where would you come out on that theory?

Mr. FALCONER. I would come out on my average. Somebody would suffer from it. If you were to make a calculation of what railroads ought to get you would make a calculation on the principal lines all over the country, and then make an average. That is what I would do. I would take, for instance, fifty lines, and ascertain the cost of construction of those fifty lines, and then make a division and arrive at the average from that.

Senator HARRIS. Then one company would receive the same profit on an investment of \$30,000 that another would on an investment of \$60,000.

Mr. FALCONER. Some might do that.

Senator HARRIS. Would that not be inevitable, if you make the rule apply to every company?

Mr. FALCONER. They receive the same proportion for their tonnage per mile, but the one company would carry three times as much as the other.

Senator HARRIS. It might be the cheaper line that would carry three times as much as the other.

Mr. FALCONER. It would be an accident if that were so. It is not so generally.

Senator PLATT. Do I understand that you would have no classification of freights?

Mr. FALCONER. I would have a classification of trains.

Senator PLATT. You would have all the freights go on certain trains?

Mr. FALCONER. Yes, sir.

## CLASSIFICATION OF GRAIN AND FEATHERS.

Senator PLATT. How many tons of grain can you ship in a car?

Mr. FALCONER. I think it is ten tons.

Senator PLATT. How many tons of feathers can you ship in a car?

Mr. FALCONER. Inequalities will grow out of it, of course. Feathers are easily hauled. You haul the same weight whether you haul feathers or lead.

The CHAIRMAN. You could not get ten tons of feathers into one car, could you?

Mr. FALCONER. No.

Senator PLATT. It might take ten times as many cars to haul as many feathers as to haul ten-tons of grain?

Mr. FALCONER. Yes, sir.

Senator PLATT. You would hardly expect the railroads to draw one car in that case for the same price as they would charge for another filled with different freight, would you?

Mr. FALCONER. That is a very extreme case.

Senator PLATT. I put an extreme illustration, because I supposed bulk had something to do with the classification of freights. The railroad companies claim, and so do others, that freight should be classified with reference to the cost of haul and the risk of damage; and in fixing the cost of haul, the question of weight and bulk comes in. Ought not all those elements to be really considered in determining how much freight charge should be paid on an article? I do not mean to say that classifications are right. I think there is a good deal to be said on that score. But must there not be some difference as to different articles, taking into consideration the question of weight and bulk and the risk to the railroad company in the nature of insurance and damages in case of accident?

## HOW CLASSIFICATION OF TRAINS WOULD OPERATE.

Mr. FALCONER. I think if the trains were classified, that all bulky and heavy stuff would certainly go on third-class trains. It would be drawn at a slow rate of speed and could be carried cheaper.

The CHAIRMAN. What class of freight do you think ought to go cheapest?

Mr. FALCONER. They would classify themselves. For instance, all kinds of grain would certainly go in the third-class trains, and at the slowest speed. Then they could take another class of freight, which is nearly as heavy as grain, and carry that in first-class trains. That would pay a first-class price. It might be fresh meat. If they thought it worth while to send it on a third-class train, they would have the privilege.

The CHAIRMAN. That would be left to the option of the shipper?

Mr. FALCONER. Left to the option of the shipper.

The CHAIRMAN. And it would be paid for accordingly?

Mr. FALCONER. Yes, sir; it would be paid for accordingly.

The CHAIRMAN. You are a business man here?

Mr. FALCONER. Yes, sir.

The CHAIRMAN. Have you any other complaints to make against the management of railroads?

Mr. FALCONER. No; I think that is all.

## REBATES TO WHOLESALE MERCHANTS.

The CHAIRMAN. Have the railroad companies been in the habit of paying rebates here?

Mr. FALCONER. They have; but it has been mostly to the wholesale men. I am a retailer. We have no rebates from the railroad. They make special terms with these wholesale men.

Senator PLATT. Do you think that is right?

Mr. FALCONER. It is liable to be a very great evil. They have the power to build up one town as against another.

The CHAIRMAN. Is there any reason why you, as a retail merchant, buying goods in New York and Chicago, should be discriminated against by the transportation companies in favor of a man who is in the wholesale trade?

Mr. FALCONER. There is perhaps one reason why he ought to get a little advantage. He will take merchandise by the car-load, and we do not.

The CHAIRMAN. You buy your articles as you need them?

Mr. FALCONER. We are shipping all the time. We ship every day.

The CHAIRMAN. You ship by the 100 pounds, or in some such quantity?

## COMPELLED TO PATRONIZE FAST FREIGHT LINES.

Mr. FALCONER. Yes, sir. I may say that the pooling lines, in their system of carrying those freights, became so bad that we were reduced to sending a very large amount of our goods by express. While it costs us \$1.39 a hundred to get all our freight, which should come in a reasonable time, we have had to pay \$5 to the express companies to get our goods.

Senator HARRIS. Five dollars a hundred?

Mr. FALCONER. Yes, sir. The system was so abominable, the delays in Chicago were so ruinous to our business, that we had to do that.

## POOL LINES FIGHTING OVER DISTRIBUTION OF FREIGHTS.

The CHAIRMAN. What was the cause of the delay?

Mr. FALCONER. It was entirely due to the pool lines fighting over our goods.

The CHAIRMAN. Were they fighting as to the distribution of the freight between the lines?

Mr. FALCONER. Yes, sir. Another feature was the bridge. They unloaded all our goods there, and would not bring them over on the cars. Some of the merchants actually went to the length of sending their drays across and taking the goods out at Council Bluffs, and hauling them over themselves. In short, the pool lines showed that they cared nothing for the interests of the people, and that they did not want to manage the business in the best way. It was a grab game with them.

Senator HARRIS. Do you know the difference between this place and Council Bluffs, from New York?

Mr. FALCONER. I cannot tell you. I do not think there is much difference. We never made any complaint of that.

## BRIDGE CHARGES AT OMAHA.

Senator HARRIS. Is there not an extra high charge for crossing the bridge?

Mr. FALCONER. There is a charge for crossing the bridge. I believe

they pay \$10 a car, or something like that. We do not pay much attention to that. It was a small thing to us. We did make a noise when it took our goods fifteen to sixteen days to come from New York, when it only took two days for them to get as far as Chicago.

Senator HARRIS. You say that bridge belongs to a company which is within the Union Pacific?

Mr. FALCONER. Yes, sir; a company inside of the company. I believe it belongs largely to Jay Gould, and that it has paid better than any other part of the line.

Senator HARRIS. Do you know what that bridge cost?

Mr. FALCONER. I do not.

Senator HARRIS. How far below here is Plattsmouth?

Mr. FALCONER. Twenty miles.

#### THE PLATTSMOUTH BRIDGE.

Senator HARRIS. There is a bridge there, is there not?

Mr. FALCONER. Yes, sir.

Senator HARRIS. And there is a road from Plattsmouth to this point?

Mr. FALCONER. Yes, sir.

The CHAIRMAN. That is the Chicago, Burlington and Quincy bridge?

Mr. FALCONER. The Chicago, Burlington and Quincy.

Senator PLATT. No freight comes that way?

Mr. FALCONER. I believe some comes now. They sent no passenger cars for some time, but they do now. They make no better time than the others. The bargain was that they should not make any better time.

The CHAIRMAN. Do you think if the pooling system were abolished that you would get your goods in any better time?

Mr. FALCONER. We would get our goods in better time and at cheaper rates, but it would be very disastrous to the railroads. It would be worse than the system I propose.

#### FINANCIAL LOSSES FROM RAILROAD WARS.

The CHAIRMAN. Do you believe in pooling?

Mr. FALCONER. No, I do not.

The CHAIRMAN. What do you believe in?

Mr. FALCONER. The same rate per mile and stopping the railroads from fighting. The railroads to-day would make more money in that way, because they would cease fighting. The amount of money thrown away in some of these fights is prodigious.

Senator PLATT. Suppose you could have a rate established by which the rate per mile could be diminished according to some rule or ratio as the distance increased. Would you not get the same benefits in that way, provided it were made certain?

Mr. FALCONER. Yes, sir; I believe in that. I am not particular about this rigid rule; but I want a system and one simple rule that shall apply to all and put an immediate stop to this fighting.

Senator PLATT. If the railroads can establish the proposition that there ought to be a less rate for long distances than for short distances, then, if the rate could be diminished by some fixed and definite rule as the distance is increased, you would arrive at the same result that you are seeking to reach now?



## TERMINAL CHARGES SEPARATE.

Mr. FALCONER. Yes, sir; that would suit me. I think, with any arrangement made, that there should be a price fixed at the depots for handling, because that is the only way we could get over the difficulty. The largest amount of the expense of the roads is for handling at the depot. That is one of the most important parts of their expense, together with the delay of the car while it is being loaded and unloaded. There should be a price for handling at the depot, anyway. That is the only way in which you could make the short hauls pay a sufficient price to the railroads, or such a price as they are entitled to. I want the companies to be paid for the short hauls—it costs so much interest on the car for the delay.

## THE LONG AND SHORT HAUL.

Senator HARRIS. Under the present system it is not infrequently the case that the railroad companies charge more for a short than for a long haul, is it? I mean in the aggregate.

Mr. FALCONER. Sometimes. It varies very much. They charge in all sorts of ways. There is no rule as to that.

Senator HARRIS. Do you think it would be wise and proper to prohibit a railroad company from charging a larger sum for a short haul than for a long haul? I do not mean the same rate per mile, or a larger rate per mile, but a larger sum in the aggregate for hauling over the same line of road and going in the same direction?

Mr. FALCONER. I think they should not be permitted to do that.

## DISCRIMINATION BETWEEN PLACES.

Senator PLATT. The Des Moines people complain bitterly because, they say, you get freight from New York to this place for less than they can get it to Des Moines?

Mr. FALCONER. I think that is wrong. I would be willing to pay more. I want fair play. I do not want to build up Omaha at the disadvantage and expense of Des Moines. I should say, let Omaha not be built up unless she is to be built up on fair, square trading.

Senator PLATT. We have a system now by which these jobbing centers, as I will call them, have been established throughout the country. Do you not think an entire reversal of the system would operate very disadvantageously at first in almost all sections of the country?

Mr. FALCONER. It might operate that way, slightly; but it ought to be put right at any price.

The CHAIRMAN. Omaha is a pretty large center, is it not?

Mr. FALCONER. Not very large. We are becoming larger. We do not do nearly as much jobbing, I think, as Saint Jo. does.

## TRADE CENTERS.

The CHAIRMAN. The goods for nearly all your State come here to Omaha, and are distributed from this point, are they not?

Mr. FALCONER. A great deal of them. Saint Jo. is a jobbing town, and Kansas City, we will say, is not a jobbing town.

Senator PLATT. How far are you from Saint Jo.?

Mr. FALCONER. About 150 miles. Kansas City is near Saint Jo. I mention that to show you that Kansas City is a more live town than

Saint Jo. Kansas City is a retail town and Saint Jo. is a wholesale and jobbing town.

Senator PLATT. Kansas City has been built up on a retail trade?

Mr. FALCONER. Largely. All the large wholesale houses are at Saint Joseph. The great bulk of them are there. There are only one or two small retail houses there. In fact, they go to Kansas City for retail trade.

#### RETAIL TRADE OF OMAHA.

Senator PLATT. You speak of retail trade. How far does your retail trade extend?

Mr. FALCONER. About 300 or 400 miles; all the little towns and villages that grow up. Where there are one or two rich men in a little village, they come down and trade with us; so that we extend our retail trade 300 or 400 miles. We extend into Iowa about 50 or 60 miles.

The CHAIRMAN. Where do you mostly buy your goods, in Chicago or New York?

Mr. FALCONER. In New York. We buy little or nothing in Chicago.

The CHAIRMAN. Suppose Congress should deem it wise to undertake to regulate this question of transportation on the theory you suggest; would you then be in favor of absolutely prohibiting the payment of rebates?

#### REBATES.

Mr. FALCONER. I do not know whether I would or not. If you allow the railroads to pay rebates, they would do as they please. I think it would be better to prohibit the practice. They can build up a town and make it or unmake it, and they can do the same thing with private parties. They can give parties permission to haul coal, say, at a certain price, at which nobody else can haul it.

The CHAIRMAN. That is, they discriminate in favor of one person against another, which ought not to be allowed?

Mr. FALCONER. Yes, sir. I believe it would be better to prohibit rebates.

#### PUBLICITY OF RATES.

The CHAIRMAN. What effect do you think the requirement by law of publicity of rates would have upon the dealings of transportation companies?

Mr. FALCONER. I think it would have a very great effect.

The CHAIRMAN. And you would be in favor of such a requirement?

Mr. FALCONER. I would be in favor of it; yes, sir. I think if you were to abolish rebates altogether it would be a good move.

#### UNIFORM CLASSIFICATION.

The CHAIRMAN. It is alleged in some places, such as Des Moines, that goods coming there would go to Chicago under one classification, and would then be reclassified from Chicago to Des Moines, or any interior town in Iowa. Is there any reason for that?

Mr. FALCONER. None at all.

The CHAIRMAN. Do you know of any reason why these managers of railroads should make these different classifications in different sections of the country?

Mr. FALCONER. I know of none, except it may be a rule of a particular railroad. Of course, the railroads are a law unto themselves.

The CHAIRMAN. It is a discretion they exercise without reason, you think?

Mr. FALCONER. Yes, sir.

The CHAIRMAN. You would be in favor of a law that would provide for the same classification all over the country?

Mr. FALCONER. Yes, sir, if we are going to have classification.

The CHAIRMAN. Unless they are classified by trains?

Mr. FALCONER. Yes, sir, by trains. I am in favor of carrying that plan out as much as possible. Let the people who want goods carried at a slow rate select a slow train, which can be run at a very much less expense to the company.

#### A NATIONAL COMMISSION.

The CHAIRMAN. Suppose these provisions that you indicate, such as the prohibition of rebates, the publicity of rates, and the classification of freights, and some provision of law in relation to the long and short haul, were all in a law. Then would you let it stand in just that way, or would you have a special tribunal appointed by the Government to look after the execution and enforcement of the law?

Mr. FALCONER. I think there would be no need of any tribunal if the thing were on a simple plan. The ordinary law courts would take care of it.

Senator PLATT. Do you think the railroads would abide by the law?

Mr. FALCONER. I think so; especially if the law were broad and simple. If the law were intricate, that would be another thing. The greatest advantage would arise from simplicity.

The CHAIRMAN. You think there should be some general provision that would be entirely plain and easily understood?

#### WAY BILLS ON DIFFERENT COLORED PAPER.

Mr. FALCONER. Yes, sir. For instance, if there were only three classes of trains, their way bills could be printed on different-colored papers, so that there could be no mixture of affairs in their offices at all. The slow trains could have its way-bills printed of one color and the other classes could be printed on different colored papers, so that a child could distinguish between them.

The CHAIRMAN. It seems to me you show a great deal of confidence in thinking that railroads would abide by such a law.

Mr. FALCONER. That would be on the basis of its being a very simple law. The trouble is that the laws are so intricate now, and none of them especially touch the railroads that I know of. They have been able to do as they please.

Senator HARRIS. You think the railroads would be anxious to do their duty if they knew exactly what their duty was.

Mr. FALCONER. I think so. I think railroad men are all good law-abiding citizens. The trouble with the railroad companies is that we gave them a *carte blanche* to do as they pleased, and they have done it.

#### RAILROADS UNDER THE COMMON LAW.

The CHAIRMAN. Under the common law they have no right to charge you an unreasonable rate.

Mr. FALCONER. They can easily get a lawyer to argue that the rate is not unreasonable.

The CHAIRMAN. They have no right to charge you a low rate and to equalize it by charging more to your neighbor.

Mr. FALCONER. They look upon this thing as a merchant does, who says, "I have a right to charge whatever profit I please upon my goods." Some merchants are likely to do so. Some small retail merchants get all they can for their goods. They have no fixed price. They do not think they are robbing anybody because they charge one lady \$1 for a thing and charge the next lady only 75 cents.

#### PUBLIC ATTITUDE OF RAILROADS.

The CHAIRMAN. You recognize the fact that the railroad companies stand in a different attitude toward the public from that of a private merchant?

Mr. FALCONER. We do; but the railroads do not seem to think so.

The CHAIRMAN. They do not want to recognize it, perhaps, but they know it to be the fact very well.

Mr. FALCONER. Exactly. The Government of this country has given them these valuable franchises.

The CHAIRMAN. Notwithstanding the fact that the common law prohibits your being charged by a transportation company more than a reasonable rate, the companies have absolutely disregarded it whenever they chose, have they not?

Mr. FALCONER. Yes, sir.

The CHAIRMAN. And there has been no remedy apparently for it?

Mr. FALCONER. None at all.

The CHAIRMAN. Why is that? Is it because there is nobody who seems to feel it to be his special duty to prosecute the railroads?

#### THE MERCHANTS FEAR THE RAILROADS.

Mr. FALCONER. That is one reason. Another reason is that if a man is a large wholesale shipper and he sues a railroad company he makes that company his enemy, and practically the railroad might shut up his business. There are many wholesale merchants who do not want to appear before your committee as you go through the country.

The CHAIRMAN. They seem to be dodging at this point somewhat?

Mr. FALCONER. Yes, sir. As far as I am concerned, I have never received any favors from the railroad companies and do not seek them.

Senator PLATT. Have you competitors here in your business?

Mr. FALCONER. Yes, sir.

The CHAIRMAN. Do you think they get the same rates that you do?

Mr. FALCONER. Yes, sir; because we are all in the hands of these fast freight lines.

Senator PLATT. The fast freight lines do not fix the rates, do they?

#### POOLS AMONG FAST FREIGHT LINES.

Mr. FALCONER. They have arrangements with the railroad companies; but we know nothing as to the price for which their cars are hauled. They themselves fix their rates per hundred pounds to us and they have pools among themselves; there is no doubt about that. There is no competition in this whole matter. If any one of those companies makes a break in the price to us, all do it at the same moment. They have meetings in New York or at their headquarters, and agree that they will make a rate so and so. We are entirely in the hands of the monopolies, and there is no doubt about it.

Senator PLATT. There is no competition between the fast freight lines?

Mr. FALCONER. None at all; there is merely a pretense of competition. It is merely a means, as I said before, for the railroad directors or their friends to get money out of the public; there is no doubt about that.

The CHAIRMAN. How many of the fast freight lines are there which reach this place?

Mr. FALCONER. Four or five or six.

Senator PLATT. What means do they resort to to get business?

Mr. FALCONER. Not very energetic means, because they have a practical monopoly in that way. We have five companies here, and there are five young men in the town who go around and see their friends and ask them for freight. But they cannot offer their friends any inducement, except that each line says they will send the freight a little quicker than the others do; but they do not send it quicker. They, again, are entirely in the hands of the railroad companies.

Senator PLATT. What do you think, from your observation, is the result. Do they all get about an equal amount of freight or do some companies get more than others?

Mr. FALCONER. Some may get a little more through the personal popularity of their representatives.

Senator PLATT. The influence which determines which lines the freight is to go over is to some extent social?

Mr. FALCONER. Social.

Senator PLATT. If the agent is a good fellow, he can get his friends and associates to send goods by his line?

Mr. FALCONER. That is it, exactly. He has no inducement to offer that I would pay the slightest attention to.

Senator PLATT. Why should a railroad permit a portion of its business, so to speak, to go to these fast freight lines?

Mr. FALCONER. I think that is one of the greatest evils. Suppose a country merchant wants to start a fast freight line on a road, he cannot do it, because the railroad companies will not haul his cars. That is one of the worst monopolies.

The CHAIRMAN. Has that ever been attempted?

Mr. FALCONER. Oh, yes; I think so.

Senator PLATT. Do you know which is the most profitable, railroad stock or stock in a fast freight line?

Mr. FALCONER. I do not know that, because that is a secret.

#### FAST FREIGHT LINES LARGELY ON PAPER.

Senator PLATT. Their composition is kept very secret, is it not?

Mr. FALCONER. I think it is; and besides that, I doubt whether some of them own their cars. There is scarcely anything to them. They are largely on paper. The railroad company does the bulky work. I think there is no better point for you to look into than that business, and find out for yourselves just how it is conducted. I think it is largely on paper.

The CHAIRMAN. You think it is really the railroad company all the time?

Mr. FALCONER. It is really the railroad company all the time.

Senator HARRIS. Do you know what is the difference in rates from New York to Omaha, for instance, when you ship over the railroad, or when you ship by the fast freight line?

Mr. FALCONER. It is the same.

Senator HARRIS. The rates of freight are exactly the same?

## FREIGHT MOVING AT TWO MILES AN HOUR.

Mr. FALCONER. Yes, sir; the fast freight line is only a name. I have known fast freight lines bring their goods at three miles an hour from New York. I could beat that with an ox team from Chicago. I have known them bring freight at the rate of two miles an hour from Chicago. Our goods would be shipped on Saturday night from Chicago, and we would get them here on the Tuesday of the second week, which would be ten or eleven days. They would come at the rate of two miles an hour.

The CHAIRMAN. That would be about the time they used to require before the days of the railroad?

Mr. FALCONER. Yes, sir. This was so until about a year ago, when they made some improvement.

Senator PLATT. You think there is no advantage to the mercantile public to be derived from what is called the special fast freight lines?

Mr. FALCONER. No, sir; none at all. There is no competition. They are simply another part of the railroad.

Senator PLATT. As you understand it, do they have anything to do with the handling of the freight when it gets to Chicago, or with the length of time it may be delayed there while the pools adjust their divisions of the freight?

Mr. FALCONER. I think not; I think it is all handled by the railroad men.

## CAUSE FOR ORGANIZING FAST FREIGHT LINES.

The CHAIRMAN. What is the real cause for the organization of these fast freight lines, as they are called?

Mr. FALCONER. For the directors and their friends to make money.

The CHAIRMAN. How do they make money if the railroad is, in fact, doing it?

Mr. FALCONER. Because we pay them. They pay so much a car to the railroad. We pay them so much a hundred.

The CHAIRMAN. They cheat their stockholders, probably, more than anybody else?

Mr. FALCONER. Yes, of course. They are making money out of their stockholders, and they are making money out of the public too, because here is a fixed rate.

The CHAIRMAN. The same thing would exist if the railroads were pooled and they agreed on the rate?

## PRIVATE FREIGHT LINES.

Mr. FALCONER. It might not; because there might be an arrangement, if there was a certain rate per car, for anybody to go and organize a freight line and compel them to draw their cars. When you strike at the rebate you strike at that. There should be no special rebate, and there should be complete publicity and only one price for all. Then any one could start a fast freight line; any one could get cars and could have the railroad haul them at a certain price that should be the same to all.

Senator PLATT. The railroads taking freight from here to the East, or bringing freight from Chicago to this place, do not cut rates, do they? They maintain rates pretty well?

Mr. FALCONER. Yes, sir; so far they have done so. The pool has worked admirably.

Senator PLATT. East of Chicago there has been fighting?

Mr. FALCONER. Yes, sir there has been fighting

Senator PLATT. They have very great competition?

Mr. FALCONER. Yes, sir, very great; and they are carrying goods too cheaply and carrying passengers too cheaply. They are losing money at one time and trying to make it up at another.

Senator PLATT. I suppose there is no competition between here and Chicago, and there is competition east of Chicago by which rates are being continually cut. Do you get any advantage of that?

Mr. FALCONER. Yes, sir, we do. We got an advantage recently on account of it. But that is entirely east of Chicago. The fast freight lines reduced our freight from \$1.65 to \$1.39 or \$1.32.

Senator PLATT. That reduction is due to the fact that the railroad companies east of Chicago are at war and are reducing rates?

Mr. FALCONER. Yes, sir.

Senator PLATT. And you get the advantage of that here?

Mr. FALCONER. We have got the advantage of that, or a portion of it. I do not suppose we get it all. All these pool lines agreed to that, and they came and announced it to us, showing that there was one agreement among them all and that there was no competition in the matter.

Senator PLATT. You have an idea that when there is a large reduction made in freight charges east of Chicago, the roads between here and Chicago do not make a corresponding reduction on through freight?

Mr. FALCONER. We think that is very probable.

Senator PLATT. What is the ordinary rate per mile about here for passenger travel?

Mr. FALCONER. I cannot give it to you.

Senator PLATT. You go out 100 or 50 miles west of here on the Union Pacific?

Mr. FALCONER. No, sir; I never travel at all. I have never been over it but once.

#### THE MISSOURI AS A COMPETITOR.

The CHAIRMAN. Does the public here on the Missouri River get any advantage from being on that water-way?

Mr. FALCONER. None at all.

The CHAIRMAN. Are there no boats that run up here?

Mr. FALCONER. None at all. Perhaps there may be one in a season, but it brings no freight worth naming. We have no water-way here to compete with the railroad.

The CHAIRMAN. It is of no service to you, then?

Mr. FALCONER. No service.

The CHAIRMAN. You were president of the Board of Trade a year or two, I believe?

Mr. FALCONER. I was. I am not now.

The CHAIRMAN. We would be obliged to you if you would ask any merchants or business men here to come before us and give their views. We are here simply seeking information.

Mr. FALCONER. I will be glad to do so.

#### EDWARD ROSEWATER'S STATEMENT.

EDWARD ROSEWATER, editor of the Omaha Bee, appeared and said:

I do not know that I am ready to appear before you just yet. There are some matters that I would like to look up first. I have been so busy during the last week that I have not had time to look at your questions.

The CHAIRMAN. We would like to have you come before us before we leave Omaha.

Mr. ROSEWATER. Yes, sir; I will appear before you.

The CHAIRMAN. I met two or three gentlemen in the hotel who came from the country, but they seem to have gone away for the time. We would like to keep ourselves as busy as we can while in Omaha, in order to get as much information as possible from this State.

Senator PLATT. I know that I speak for the committee as well as for myself when I say that we want to learn what the sentiment of this portion of the country is with reference to the railroad question.

The CHAIRMAN. When will it suit you best to come before us?

Mr. ROSEWATER. I will either come this evening or to-morrow. How late will you be in session?

The CHAIRMAN. We will be here until four or five o'clock.

Mr. ROSEWATER. I will come this evening or the first thing to-morrow morning.

The CHAIRMAN. We would be glad to have you send anybody in the city here who would like to be heard.

Mr. ROSEWATER. I will endeavor to send somebody here this afternoon. I supposed the railroad people and others would be here.

#### CHARLES F. GOODMAN'S STATEMENT.

CHARLES F. GOODMAN, wholesale druggist and acting president of the Board of Trade, appeared.

The CHAIRMAN. You are the president of the Omaha Board of Trade?

Mr. GOODMAN. I am acting president of the Board of Trade. The president is just now in Europe.

The CHAIRMAN. We are here as a committee sent out by the United States Senate to investigate complaints against the railroads and to ascertain what are the cures for the evils existing. Will you give us your views on this subject?

Mr. GOODMAN. I have not prepared myself to answer any of the questions contained in your circular or to suggest any remedies, but if you will interrogate me I will give you my views on such points as I best can.

#### DIFFERENT CLASSIFICATIONS EAST AND WEST OF CHICAGO.

I noticed one matter this morning when Mr. Falconer was testifying. That was the difference in classification between the Eastern and Western lines. We frequently get bills of lading from Pittsburgh or New York or Philadelphia or other Eastern points at a certain through rate. Sometimes the roads will not give a through rate, because they are not certain whether it will be under the same classification west of Chicago. They will ship the goods at a certain rate and say, "Subject to Western classification." There has been as much trouble from Pittsburgh as from anywhere with reference to that difference. For instance, glassware is shipped from Pittsburgh under a certain classification, and when it reaches Chicago the classification is changed.

#### CLASSIFICATIONS SHOULD BE UNIFORM.

The CHAIRMAN. Do you or not think the classification should be uniform?

Mr. GOODMAN. I think it should be.



Senator PLATT. Do you know anything that justifies a different classification in one part of the country from that in another part?

Mr. GOODMAN. I would hardly want to say that I was competent to assert that there should be no difference, but in those goods that I am now speaking of there is no reason why there should be any difference.

Senator HARRIS. Do you know of any reason why there should be any difference in respect to any goods?

Mr. GOODMAN. Not that I know of, although there might perhaps be in lumber and other goods. I do not know whether or not there is, but there certainly should not be any difference as to such goods that I am dealing in.

The CHAIRMAN. So far as you know, it is a matter of discretion with the officers of the different railroads who fix up the classifications for their lines?

Mr. GOODMAN. Yes, sir. The last time I was in Pittsburgh I was talking with a railroad man there, who certainly ought to know whether there is any necessity for any difference. The railroad men claim that they had a conference with Chicago railroad men, but it was simply from stubbornness on their part that they did not make the same classification.

The CHAIRMAN. They simply did not want to make the classification the same?

Mr. GOODMAN. Yes, sir, that was all.

The CHAIRMAN. Probably they get a little more freight charge by not making the classification the same?

Mr. GOODMAN. Yes, sir.

The CHAIRMAN. That is one of the things you complain of?

Mr. GOODMAN. Yes, sir.

The CHAIRMAN. You think that matter ought to be remedied by national legislation, do you?

Mr. GOODMAN. Yes, sir.

The CHAIRMAN. You understand, of course, that the National Government has no control over State commerce and is confined to commerce between States?

Mr. GOODMAN. Yes, sir.

The CHAIRMAN. Is there any complaint existing here that you now think of?

Mr. GOODMAN. As I said before, I have not given this matter much attention, because I did not expect to be called before your committee. But that is one item I have been thinking of for a number of years. That evil has existed.

#### CONCESSIONS TO LARGE SHIPPERS.

The CHAIRMAN. You are a wholesale druggist, I believe?

Mr. GOODMAN. Yes, sir, I am.

The CHAIRMAN. Do you know whether the wholesale merchants get a different rate of freight from that got by the retail merchants from the railroads in this section?

Mr. GOODMAN. Yes, sir; of course in car-load lots we get lower rates than we do when we ship in less than car-load lots. I think in almost all cases a lower rate is given.

Senator HARRIS. Does a retail merchant who ships a car-load get the same rate as a wholesale merchant?

Mr. GOODMAN. I think he does. There may be a few who get rebates.

#### UNIT OF TRANSPORTATION.

The CHAIRMAN. What do you think ought to be the unit of shipment, a car-load or 100 pounds?

Mr. GOODMAN. I think it is no more than fair that there should be a difference between 100 pounds and a car-load.

The CHAIRMAN. You mean in the rate?

Mr. GOODMAN. In the rate, yes, sir.

The CHAIRMAN. Would you make a car-load the unit of shipment? Suppose you have a car-load to ship from Chicago to Omaha and your neighbor has five car-loads. You get a rate, say, of \$30 a car. Should your neighbor pay the same rate or less?

Mr. GOODMAN. I think he ought to pay the same. You must draw the line somewhere.

The CHAIRMAN. So that a car-load, you think, should be the unit?

Mr. GOODMAN. Yes, sir.

The CHAIRMAN. And every man should have the same rate per car-load whether he ships five, ten, or twenty car-loads or only one?

#### REBATES.

Mr. GOODMAN. I think so; although I presume it is not done that way now. I think merchants who ship at once ten or twenty car-loads of the same article get a rebate.

The CHAIRMAN. Do you think they ought to have a rebate?

Mr. GOODMAN. I hardly know what to say. There certainly ought to be a difference between car-load shipments of the same article and shipments of less than car-loads. Of course when you say five car-loads I do not know that there should be any difference there. But there are some such articles as coal, where very large shipments are shipped at once.

The CHAIRMAN. You think there ought to be a difference?

Mr. GOODMAN. I hardly know whether it is best to say there ought to be or not.

The CHAIRMAN. You are in doubt whether or not there ought to be any legislation on that subject?

Mr. GOODMAN. Yes, sir.

The CHAIRMAN. Do you think this rebate system that is practiced in some portions of the country, and possibly in this portion, is a good system and ought to be allowed, or do you think it should be abolished? Sometimes you are in competition with other men in your business in this town. Suppose a railroad quietly gave the man with whom you are in competition a rebate, and did not give it to you. Do you think that would be a wrong committed against you?

Mr. GOODMAN. I think, upon the whole, it would be better if there were no rebates.

The CHAIRMAN. Do you think rebates should be prohibited, and that every man should have the same rate? Would it not be better for people in a like business, who are shipping the same quantity of goods?

Mr. GOODMAN. I do not know but that it would. A short time ago, when there were cut-rates between Chicago and this point, it seemed as if there was an advantage to us for the time being. Yet it was no advantage. Most of the jobbers were compelled to give that advantage to the retailers, so that we were really not benefited by it at all. I

think it would be better for the majority if there were no rebates. There certainly ought to be a difference between car-load shipments—which would be made, as a general thing, by the wholesale dealers—and shipments of less than car-loads. They had this matter up a short time ago in Denver, where the Chicago and Saint Louis merchants insisted that there should not be any difference. Of course it was entirely for their own interest.

The CHAIRMAN. They undertook to make 100 pounds the unit of shipment?

Mr. GOODMAN. Yes, sir.

The CHAIRMAN. And they failed?

Mr. GOODMAN. They failed.

The CHAIRMAN. In your judgment, then, there should not be any rebates paid and the rebate system should not be permitted?

Mr. GOODMAN. I do not believe they ought to be allowed.

#### CONCESSIONS TO PROMOTE DISTRIBUTING POINTS.

Senator PLATT. In your judgment, a less rate for the wholesaler than for the retailer is necessary if there are to be any wholesale points west of Chicago and Saint Louis?

Mr. GOODMAN. Yes, sir.

Senator PLATT. And you believe it is for the interest of the country that there should be wholesale points west of Saint Louis?

Mr. GOODMAN. Yes, sir; I do.

Senator PLATT. In other words, Nebraska is better off, all things considered, by having Omaha a wholesale point?

Mr. GOODMAN. I think so.

Senator PLATT. And in order to permit wholesaling in Omaha you think a little better rate should be allowed to the wholesaler than to the retailer?

Mr. GOODMAN. Yes, sir; I think they are entitled to it when they buy in car-load lots.

Senator PLATT. That would naturally depend upon whether the wholesaler was shipping by the car-load and the retailer was not?

Mr. GOODMAN. I do not see that there should be any difference between the wholesaler and the retailer when shipping the same quantity.

Senator PLATT. The simple fact that one is a wholesaler and the other is a retailer ought not to give the wholesaler any better rates, provided he does not ship more goods?

Mr. GOODMAN. No. If I ship 100 pounds or 1,000 pounds, I do not think it would be proper to give me any better rates than the retailer. I think the rates ought to be the same. But a dealer who buys in car-load lots should have better rates than a dealer in 100-pound lots.

Senator HARRIS. Whether he be a wholesaler or a retailer?

Mr. GOODMAN. Yes, sir.

The CHAIRMAN. In some places we have visited there seemed to be considerable conflict between the wholesaler and jobbing merchants and the retailers.

Mr. GOODMAN. Yes, sir; because the transportation companies seem to give the jobbing merchants a better rate for the transportation of freight than the retail merchants, even on the same quantities. The mere fact that he was a jobber gave him an advantage. I do not think that ought to be allowed unless he shipped in bulk and in greater quantities—to the extent of the car-load. I do not know but that it would

be very desirable if the favored party could get rebates in that way, but I do not see how you can regulate it.

PUBLIC SENTIMENT AS TO RAILROADS.

The CHAIRMAN. Do you hear very much complaint by the people against the railroad companies that come into Nebraska?

Mr. GOODMAN. Not much; of course some will always complain. There is no doubt about that.

The CHAIRMAN. Is there a feeling here that the railroad companies are treating the people of Nebraska differently from the way the people of other sections of the country are treated?

Mr. GOODMAN. I think not.

Senator PLATT. Do you not think there is a great deal of feeling in Nebraska that the railroads in some way are oppressing the people?

Mr. GOODMAN. There is a feeling that way.

Senator PLATT. What does that feeling grow out of?

Mr. GOODMAN. Sometimes the feeling grows up in this way: for instance, suppose the Chicago and Northwestern discriminates against Omaha by taking freight through to the Elk Horn Valley Railroad at a lower rate—that is, combining the Chicago rate and the Omaha rate—than we could ship it for from Omaha.

Senator PLATT. By going around you?

Mr. GOODMAN. Yes, sir; discriminating against Omaha in order to get the entire haul over their road. The same thing is said against the Chicago, Burlington and Quincy, and Burlington and Missouri River.

The CHAIRMAN. Do they charge you in the aggregate less, as a matter of fact? Which point is farthest from Chicago?

Mr. GOODMAN. I presume this point would be a little nearer.

The CHAIRMAN. Which point gets the freight for the cheapest sum?

Mr. GOODMAN. I think the farthest points get the freight direct for less than we could bring it from Chicago to Omaha and then reship it.

The CHAIRMAN. But not less than you can get it from Chicago to Omaha?

Mr. GOODMAN. Oh, no, I think not.

Senator PLATT. What are the principal points reached by the Northwestern and the Chicago, Burlington and Quincy roads?

Mr. GOODMAN. The points reached by the Chicago and Northwestern are Blair, West Point, Norfolk, and all those towns toward the Black Hills.

Senator PLATT. Does the Chicago, Burlington and Quincy reach the same towns or another lot of towns?

Mr. GOODMAN. No, sir; they reach the towns in the South Platte country.

Senator PLATT. The Chicago and Northwestern places freight at those towns of which you speak at less rates than the freight can be brought from Chicago to Omaha and then sent from Omaha to those places?

Mr. GOODMAN. That is what I understand. I am not prepared to say that that is a fact. I am only telling complaints as we hear them from merchants out in that country.

Senator PLATT. The same thing is true with reference to the southwestern points and the Chicago, Burlington and Quincy road?

Mr. GOODMAN. Yes, sir.

Senator PLATT. That is a discrimination against Omaha?

Mr. GOODMAN. Yes, sir. A good many of those complaints we hear of through our papers.

## THE AGRICULTURAL SENTIMENT.

Senator PLATT. Do you think there is a feeling of dissatisfaction with the railroads—I will not use any stronger term than that—through the agricultural portion of the State?

Mr. GOODMAN. There has been considerable.

Senator PLATT. Is that feeling as intense now as it formerly was?

Mr. GOODMAN. I hardly think it is. I read in the paper only last week that there was a shipment of cattle that was intended to be sent to Omaha, and instead of bringing it here they took it down to Plattsmouth and delayed it there quite a while, in order to force the shippers to send it to Chicago.

Senator PLATT. Do you think the irritation or dissatisfaction on the part of the people, to whatever extent it exists, grows out of the general policy of the railway management in the State, or out of specific instances of hardship?

Mr. GOODMAN. That is a pretty broad question. I hardly know how to answer it. I would not like to condemn the general management, and I do not know but that there may be specific cases, but I have no knowledge at present of any specific cases.

## OMAHA SENTIMENT.

Senator PLATT. I have been asking with reference to the agricultural portion of the community. We will now take up the case of men engaged in business in Omaha. Do you think business men in Omaha are or are not well satisfied with the management of the railway properties doing business in and through Omaha?

Mr. GOODMAN. It is just as I said before. I have not heard as much dissatisfaction lately as there used to be.

The CHAIRMAN. There seems to be less friction between the railroads and the people than there was some time ago, you think?

Mr. GOODMAN. Yes, sir.

The CHAIRMAN. Do the merchants of Omaha complain as to the manner in which they are treated as between themselves?

Mr. GOODMAN. Those complaints about those two roads are about all that I have heard much of.

The CHAIRMAN. You say goods are shipped from Chicago to this point and from Chicago around to some other point you spoke of which is farther away from Chicago. What do you think ought to be done to prevent that, if you think it is a wrong as between this point and that point? Should there be any legislation that would prohibit the transportation company from charging more or as much for hauling a short distance as for a long distance?

Mr. GOODMAN. I am hardly prepared to say what should be done in that matter. Of course the general impression as to what ought to be done has been that these merchants west of Omaha should not be able to get their goods for less than we can get the same goods to Omaha and reship them to those points.

The CHAIRMAN. So that they should come out from Chicago on what might be called a long haul, and then be charged on the basis of a short haul from here to those points?

Senator HARRIS. The point, as I understand it, is that on the long haul from Chicago to those points west of Omaha they deliver goods cheaper than the goods can be delivered at Omaha and then reshipped on the short haul.

The CHAIRMAN. I understand that to be the fact; but the question is, how that comes about? Is it the result of the reshipment at this point to the other point?

Mr. GOODMAN. No; we think it is done in order to prevent that freight from being diverted on another road.

The CHAIRMAN. They want to keep it on their line until they take it as far as possible?

Mr. GOODMAN. Yes, sir. While ostensibly there are two different lines from Chicago to the Missouri River and from there out west, yet they are controlled by the same railroad.

Senator HARRIS. Do you think the merchant or consumer living 50 or 100 miles west of you, who buys his goods in New York or Chicago and who can get a bill of lading through to his home, should be compelled to pay a higher rate by reason of breaking the shipment at Omaha, and then pay local rates from Omaha west to the point where he resides?

Mr. GOODMAN. No; not that. But if a car comes through from Chicago, we will say, to Valentine or any of those points above, and comes by way of Omaha, without breaking, I have understood through the papers that the freight added is more to come by way of Omaha than if it is taken by way of Blair, for instance. That is what they term discriminating against Omaha. I do not think it would be fair to compel them to pay local rates to this point. It wouldn't be necessary. But, everything being equal, I mean that the papers have been claiming that the two roads were discriminating against Omaha just on that account.

Senator HARRIS. If a shipment of goods goes out from Chicago to that place on its line without a reshipment, it costs less than to bring them from Chicago to this point and then reship them?

Mr. GOODMAN. Yes, sir. But the idea is this: Suppose a car is shipped from Chicago to that point by way of Omaha over the Rock Island road and the other road will not take it at the difference, as they would if it were reshipped by the Northwestern, for instance. I understand it to be that way.

Senator HARRIS. Do you think if rebates and drawbacks were prohibited, and publicity of rates were required, that any good would be accomplished?

Mr. GOODMAN. I am not prepared to say whether or not it would.

#### POOLING.

Senator HARRIS. What do you think about the system of pooling?

Mr. GOODMAN. There was a time when we thought it was bad. But a short time ago, when the rates were cut and we could not depend on anything, we began to think that perhaps pooling, if it could be depended on, might not be as bad as we had thought.

Senator HARRIS. It might be a better arrangement than a reckless cutting of rates when they were not under a contract to charge the same rates?

Mr. GOODMAN. Yes, sir.

Senator HARRIS. What do you think about allowing the system of pooling if it were under some sort of Government supervision, so that the pooling contracts could be examined and approved or disapproved by some special tribunal?

Mr. GOODMAN. That might be desirable.

Senator HARRIS. You think with that kind of governmental control pools might not be injurious?

Mr. GOODMAN. Yes, sir.

#### THE LONG AND SHORT HAUL.

Senator HARRIS. You are not prepared to say, as I understand you, whether any regulation by Congress as to the question of the long and short haul should be passed?

Mr. GOODMAN. I presume if you take it on through points it might be necessary; but these points that I was speaking of were not considered through points. For instance, it might be a different thing to ship from New York to California than to ship simply to interior points where there is no connection with any other road.

Senator HARRIS. Do you think it would be safe for Congress to pass a law prohibiting the charging of the same amount or a greater amount for a short than for a long distance?

Mr. GOODMAN. I do not believe it would be safe. I think they tried that in our legislature.

Senator HARRIS. Did they pass an act on that subject?

Mr. GOODMAN. I think they did.

Senator HARRIS. What became of it; was it repealed?

Mr. GOODMAN. No, I think not. I really do not know how it does work now, or what they are doing.

Senator HARRIS. In your experience in business you have had occasion in shipping goods to ship to a competitive point and then again to points that might be called non-competitive a less distance from Omaha. Did they charge you more to that non-competitive point than to the point farther off, which is called a competitive point?

Mr. GOODMAN. I presume they did.

Senator HARRIS. Do you think that is right? Let me give you an illustration. Suppose you were shipping a train load of goods from here to Chicago, and, if you were running the railroad, you wanted to drop one car at a station 25 miles from Chicago. Would it be right to pass a law prohibiting you, as a railroad man, from charging more for taking that car a distance 25 miles less than from here to Chicago and dropping it off there than you would charge per car for all the balance of the train that you took into Chicago—taking into account the fact that perhaps if you leave the car at a place where there is no business generally you would probably not get a load for it in either direction?

Mr. GOODMAN. I think it would be right if they charged as much.

Senator HARRIS. Would it be right to allow them to charge any more?

Mr. GOODMAN. I do not think that would be right.

Senator HARRIS. Are there any other complaints that you hear of against these transportation companies?

Mr. GOODMAN. No, sir.

Senator HARRIS. Does this bridge over the river here give you any trouble?

Mr. GOODMAN. There used to be a great deal of controversy about the charges, but there has not been much said on that subject lately.

Senator HARRIS. There is less difficulty than there used to be about getting goods over the bridge either way?

Mr. GOODMAN. Yes, sir.

Senator HARRIS. When you ship goods from Chicago or New York do they come right through without transfer?

Mr. GOODMAN. I think they do now. They did not formerly.

Senator HARRIS. They come to the depot on this side and you receive them here?

Mr. GOODMAN. Yes, sir.

Senator HARRIS. Is there any particular delay on account of the bridge?

Mr. GOODMAN. Not coming this way. There is some, of course, incident to the handling in shipping into Iowa.

Senator HARRIS. Handling where?

Mr. GOODMAN. Handling the goods here and then turning them over to the other railroad. I presume there is a little delay, but not any more than is perhaps necessary.

Senator HARRIS. They do not have to handle them there at Council Bluffs, do they?

Mr. GOODMAN. Yes, sir; all the local freight. That is the way I understand it. In fact a number of the merchants ship by team from here over to Council Bluffs.

Senator HARRIS. And load over there?

Mr. GOODMAN. Yes, sir; in order to avoid the delay.

#### J. H. STICKLE'S STATEMENT.

J. H. STICKLE, of Hebron, Fair County, Nebraska, appeared.

The CHAIRMAN. About how far is Hebron from here?

Mr. STICKLE. One hundred and thirty-five miles.

The CHAIRMAN. In what business are you engaged?

Mr. STICKLE. I am in the banking business at present. I am interested in farming, however. I have been a farmer until quite recently.

The CHAIRMAN. You understand generally the scope of our investigation, do you not?

Mr. STICKLE. Your secretary was so kind as to furnish me with a list of your inquiries, and I have a general idea of the subject. I am not here as a railway expert, of course. I do not pretend to know anything about the operations of railways. I have prepared some data in reply to those inquiries, and will read those, and then you may, of course, exercise your pleasure about asking me further questions.

I do not appear before you for the purpose of urging upon your adoption any specific panacea for the evils or grievances that the oppressions of corporate monopoly have inflicted upon the productive and mercantile interests of the whole country. I shall assume that the time that you have kindly allotted me is limited to the expression of a very few suggestions, based upon the fifteen inquiries with which your secretary has been so good as to favor me.

In my judgment the most important question now confronting the American people for their solution is that of inter-State railroad transportation. It is one of the most difficult problems that has ever arrested the attention of the American people so far as to compel its acknowledgment as a political issue, and the more we examine it the more room do we find for an honest difference of opinion as to the best methods to be employed in its satisfactory adjustment.

#### GENERAL LACK OF INFORMATION AS TO RAILROADS.

The first stumbling-block we encounter is the want of sufficient information. As a people we are perhaps too quick to adopt theories, and any theory is worthless unless sustained by facts that are suscepti-



ble of demonstration. In this case the facts are in the possession of but a few. Our railway system, like the press and pulpit, is an evangel of our civilization, but its methods and operations are known only to a very few. For instance, the whole transportation problem is as profound a mystery to the average legislator as would be the Sanscrit of the Hindoos, and it is ridiculous to talk about solving it without first having been put in possession of a reasonable knowledge of the conditions upon which its operations are based. It is for the purpose of eliciting this information, as I understand it, that your honorable committee was appointed—that it might confer with business men and large shippers, as well as with the producer and with those having the transportation interest in their immediate charge. I do not suppose that you expect anything will be offered here by anybody that will be conclusive to your minds; but what you desire is that any one possessing a fact or an opinion, who is able to express either clearly, shall have the opportunity to do so, and in his own way.

For myself, I freely confess that I have never given this important problem the consideration and study that its merits demand. We all know fault-finding is as easy as lying, but it is not so easy to suggest an intelligent remedy. We are all agreed that there is something wrong with our governmental economy, but just how to diagnose the case and apply the remedy is what baffles us.

#### EXTORTION AND UNJUST DISCRIMINATION.

In reply to your first inquiry—

The best method of preventing the practice of extortion and unjust discrimination by corporations engaged in inter-State commerce—

I will say by legislation, *plain* and *direct*. As the commission system was rejected by the people of this State at the polls last fall, for the reason that it does not work to the advantage of the producers, and as it has proved itself a jug-handle system, all on one side, and that side the corporations, I am firm in the opinion that other legislation should be tried.

#### REASONABLENESS OF RATES.

2. The reasonableness of the rates now charged by such corporations for local and through traffic.

As far as Nebraska is concerned, and perhaps other States west of the Missouri River, the local rates are simply extortionate. I do not hear so much dissatisfaction expressed with through rates as with local rates.

#### PUBLICITY OF RATES AND NOTICE OF CHANGE.

3. Whether publicity of rates should be required by law; whether changes of rates without public notice should be prohibited; and the best method of securing uniformity and stability of rates.

To the first portion of that question I should say yes, and to the second I should also say yes; 30 days' notice should be given. The frequency with which radical changes are made in rates, and without proper notice, has a greater tendency to cripple commerce and unsettle values than would an extortionate rate steadily maintained.

#### UNIFORMITY AND STABILITY OF RATES.

As to the third portion of that question, it involves such an exhaustive acquaintance with railway operation that I feel that I am not suffi-

ciently well informed to warrant me in making a suggestion as to the best or any method of securing uniformity and stability of rates. Whenever a change is made in the Treasury portfolio of our Government, from the remarks that are made, I am led to believe that eighty men out of every one hundred consider themselves perfectly competent to run the United States Treasury. Fully the same proportion of our citizens know all about railway operation. I do not know much about it, never having had any practical experience in that direction. But, being endowed with perhaps average intelligence, I should say that the only method is to carefully examine the conditions, workings, actual cost of construction, and actual plant-cost, and then allow such a traffic-rate as will pay a fair remunerative interest on the investment, after paying, say, 50 per cent. of the gross receipts for operating expenses; and then by law regulate the traffic.

#### MAXIMUM AND MINIMUM RATES.

4. The advisability of establishing a system of maximum and minimum rates for the transportation of inter-State commerce.

To that I should say yes. The advisability of minimum as well as maximum rates is unquestionable—the maximum rate to protect the shipper, the minimum rate to protect the stockholder. I have long held the obsolete opinion that even stockholders had some rights that railway managements should be made to respect. Railway director and wrecker have grown to be synonymous terms. With a minimum rate fixed by law, rate wars would seldom occur, and they are as deplorable in their results (in unsettling values and crippling earnings) as are extortionate rates.

#### ELEMENTS OF COST.

5. The elements of cost, the conditions of business, and the other factors that should be considered in fixing the tariffs on inter-State traffic.

The element of cost should never include one mill of watered stock. Watered stock is nothing less than crystallized grand larceny.

#### REBATES AND DRAWBACKS.

6. Should any system of rebates and drawbacks be allowed? If so, should such transactions be regulated by law, and be subject to official inspection or approval? Or should they be entirely prohibited?

No; they should be entirely prohibited. It is a concession to the wealthy shipper who does not need it, and gives him a stupendous leverage over the small shipper and the poor man. It is often asserted, and never contradicted, that transportation companies paid the Standard Oil Company ten millions of rebate in the short space of eighteen months. One shipper in my own county tells me that he cannot compete with the large shippers because he must pledge 300 cars in order to be entitled to share in rebates.

#### POOLING.

7. Should pooling contracts and agreements between railroads doing an inter-State business be permitted, or should they be entirely prohibited by law? If they should be regulated by law, would it be sufficient to require the terms of such agreements to be made public and subject to official approval?

Pooling should be entirely prohibited by law, because it seems utterly destructive of all competition.

## SHIPPER'S RIGHT TO SELECT ROUTE.

8. Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?

Yes; if they are willing to pay transfers from one road to another.

## UNIFORM SYSTEM OF RATES.

9. By what method can a uniform system of rates for the transportation of passengers and freights by all the corporations engaged in inter-State commerce be best secured?

I do not know; but I doubt the expediency of the commission system, unless two-thirds of the members are selected by the producers and shippers. This should be done by ballot, just as we elect other representatives. I am inclined to repudiate any representative for whom I did not vote. Let the law as a line of general duty direct the commissioners, but let them have some discretionary power.

## THE LONG AND SHORT HAUL.

10. Should corporations engaged in inter-State commerce be permitted to charge a lower proportionate rate for a long than for a short haul? Does the public interest require any legislation on that subject?

No. The poor man should never be discriminated against, nor the rich man favored. If we must have either, let us demand the reversal of the proposition.

## UNIFORM SYSTEM OF ACCOUNTS.

12. Should corporations engaged in inter-State commerce be required to adopt a uniform system of accounts?

I am not sufficiently familiar with railway management to know whether this is essential or not.

## ANNUAL REPORTS TO THE GOVERNMENT.

13. Is it desirable that such corporations should be required to make annual reports to the Government? If so, what information as to their earnings, expenses, and operations should such reports contain?

Yes. (1) Expenses of operating and repairs or maintenance. (2) Interest on actual money invested; no watered stock to be considered nor dividends allowed on it.

## DEVELOPMENT OF WATER ROUTES.

14. In making provision for securing cheap transportation, is it or is it not important that the Government should develop and maintain a system of water routes?

Yes: I think so, unquestionably. The New York and Erie Canal is a very fitting illustration of the use of water competition as against railways. You will find that rates are nearly always advanced as soon as the canal closes. But there is something remarkable about railway management, particularly in Nebraska; and I do not know but that the same rule holds good in Iowa. Whenever trade is dull and there are very few shipments, the roads reduce the rate. But when our crops have to be moved to market, the rates are invariably advanced. That is our experience as to shipments.

## THE REMEDY.

15. In what manner can legislation for the regulation of inter-State commerce be best enforced? Should a commission be established for this purpose?

I am not inclined to favor commission of any kind unless as I have before indicated. I think it is better to control the inter-State traffic of the country by law, and not by commission, unless, as I indicated a few minutes ago, by having two-thirds of that commission elected by the people.

## THE NEBRASKA COMMISSION LAW.

The organic law of this State prohibits the appointment of commissioners, because, under the ruling of our State supreme court, it was decided that railway commissioners would be State officers, and, as I remarked, under our State constitution the officers of the State cannot be increased except after amendment of the constitution. At our last election, the people, by an overwhelming majority, rejected the commissioner proposition. They said they did not want it. The legislature last winter, in defiance of the expression of our people at the ballot-box, passed a bill appointing three State officers as commissioners, and authorized them to appoint secretaries. Ostensibly these State officers are the railway commissioners of Nebraska, but really their secretaries are the commissioners.

## TENDENCY TOO MUCH TOWARD COMMISSIONS.

The tendency of our Government, it seems to me, runs too largely to commissions. We shall have commissions after awhile for the enforcement of the ordinary city or town ordinances. I see the governor of New York the other day signed a bill appointing an underground wire commission to enforce the putting of telegraph and telephone wires under the streets of New York, instead of allowing them to present the unsightly appearance which you see here in the city of Omaha, through being lifted up on poles. It seems to me a sad comment upon the executive departments if you have to have a commission appointed to see that the law is enforced. This commission I speak of is for no other purpose in the world than to enforce an act that was passed a year ago.

## THE DOANE OR "TUB" LAW.

The CHAIRMAN. What is the law of this State now in relation to the government of railroads?

Mr. STICKLE. We have what is called the "Doane law," and it is sometimes called the "tub law." That name was given to it because it was said to have been thrown to the anti-monopoly whale. It amounts to very little.

The CHAIRMAN. What power does anybody have under it to control the railroads?

Mr. STICKLE. The salient feature of it was, as far as I recollect, that the rates were not to be increased over a certain rate in November, 1881. That was used as the maximum rate.

The CHAIRMAN. The rate for freight or passengers?

Mr. STICKLE. There was nothing said about passengers. It was just the rate for freight.

The CHAIRMAN. Was that the rate of freight per mile, or the rate of freight generally?

Mr. STICKLE. The general freight schedule.

The CHAIRMAN. The schedule of some previous time was to be adopted, and no transportation company should charge a higher rate?

Mr. STICKLE. Those schedules were to be published and posted.

The CHAIRMAN. How long has that law been in force?

Mr. STICKLE. I think it was enacted in the legislature of 1881. That is my recollection about it.

#### THE "SECRETARY" LAW.

The CHAIRMAN. When were these secretaries appointed?

Mr. STICKLE. That was under a law lately passed.

The CHAIRMAN. We would like to get the history of the legislation of this State on the subject.

Mr. STICKLE. They were appointed some three or four weeks ago.

The CHAIRMAN. Was the "tub law," as you say it is termed, the only law on the subject of railroad control in force from 1881 up to this last session of the legislature?

Mr. STICKLE. The only one that I know anything about.

The CHAIRMAN. What did that law amount to?

Mr. STICKLE. I do not think it amounted to anything. I never heard of any one being prosecuted under it.

The CHAIRMAN. Why not?

Mr. STICKLE. There is \$1,000 fine as a penalty for the infraction of its provisions; but I never heard of anybody prosecuting it, because the aggrieved party would be necessarily the prosecuting witness, and those parties that are aggrieved are generally poor men.

The CHAIRMAN. They could not afford to do it?

Mr. STICKLE. That is it exactly.

Senator PLATT. Do you think the law has been violated?

Mr. STICKLE. I have no doubt on that point.

The CHAIRMAN. You think it has been violated frequently by the different railroad companies of the State?

Mr. STICKLE. I think so. I do not think there is any attention paid to it.

The CHAIRMAN. Should not the State government provide some way of enforcing that law?

Mr. STICKLE. Unquestionably. It should be made mandatory on the attorney-general, or upon any district attorney, to take cognizance of any complaint and to investigate it.

The CHAIRMAN. Is it not your experience, where a law of that sort is passed, dealing with men that are simply transacting business, and it is then left, that it falls as a dead letter and amounts to nothing?

Mr. STICKLE. It is very apt to unless it has some mandatory provisions for its enforcement by some one.

The CHAIRMAN. This law which was passed in 1881 is still in force, is it?

Mr. STICKLE. It is the law to-day.

The CHAIRMAN. What was the particular amendment to it last winter?

Mr. STICKLE. I have no recollection of its being amended specifically.

The CHAIRMAN. You passed some other additional statute?

Mr. STICKLE. They passed a bill appointing State officers as commissioners. That was a piece of specific legislation, and had nothing to do with the "Doane" bill. They have whipped the devil around the stump.

## POWER OF THE "SECRETARIES."

The CHAIRMAN. Did they give the commissioners any power? What is the duty of the commissioners?

Mr. STICKLE. I do not know. I cannot give you the salient features of the bill.

The CHAIRMAN. Were they authorized by the statute to prosecute men who violated the provisions of the "tub law," as you have termed it?

Mr. STICKLE. Yes, sir; that is my understanding.

The CHAIRMAN. That is what they were to do?

Mr. STICKLE. Yes, sir; they were to take cognizance of it.

The CHAIRMAN. And settle complaints?

Mr. STICKLE. And settle complaints or investigate them.

The CHAIRMAN. Were they to report to anybody?

Mr. STICKLE. Yes, sir; probably it might be like some law that was introduced in Congress. They may only have some power to ask railways why they ought not to be reported as in contempt. It may perhaps be something like that.

The CHAIRMAN. They were given no power at all?

Mr. STICKLE. I do not think their power amounts to anything; at least, that is my impression.

The CHAIRMAN. The committee desires to get at the facts about whatever the legislation is on this subject in this State. As there are no commissioners here, we thought you might be familiar with the provisions of the statute and could inform us.

Mr. STICKLE. I have the "tub law" here.

The CHAIRMAN. We would like to have a copy before we leave the city. How long have these commissioners had authority under this statute lately passed?

Mr. STICKLE. I think they were appointed three or four weeks ago.

The CHAIRMAN. So that you do not yet know whether they will do any good or not?

Mr. STICKLE. I have no faith that they will.

The CHAIRMAN. Do you know of any reason why they should not accomplish some good if they are honest and capable men?

Mr. STICKLE. I would not like to give my reasons, because I would have to indulge in personalities, and that I do not like to do. I do not think the commission is constituted so that the people will get a great deal of relief from it.

## REBATES AND DISCRIMINATIONS.

The CHAIRMAN. Does your law provide that there shall be no rebates paid in the State of Nebraska?

Mr. STICKLE. Yes, sir; it does provide that.

The CHAIRMAN. And does it provide that there shall be no discrimination between one person and another?

Mr. STICKLE. Yes, sir.

The CHAIRMAN. Does it provide that there shall be no discrimination between places?

Mr. STICKLE. I am not sure about that. I think not.

The CHAIRMAN. What sort of legislation do you think Congress should pass looking to the control of inter-State commerce? You are aware that Congress cannot do anything about your commerce here in the State—that is, as to the shipment of freight from one point in the State to another point in the State?

## THE PRODUCERS "SICK" OF RAILWAY OPPRESSION.

Mr. STICKLE. Your question covers a very broad field of inquiry. I am not a railway expert, as I remarked. I am simply here, if I represent any person other than myself, as representing the producers of this State. They are the people who are sick.

The CHAIRMAN. What are they sick about?

Mr. STICKLE. They are sick of railroad oppression.

The CHAIRMAN. What is the railroad oppression that they complain of?

Mr. STICKLE. That is a long story.

Senator HARRIS. That is what we came to hear.

Mr. STICKLE. These facts exist, and it rather seems to me it should come within the line of Congressional duty to diagnose the case.

## POLITICS UNDER RAILROAD MANIPULATION.

The CHAIRMAN. We may be able to do that after we get the facts. We want to learn what is the difficulty between the people of Nebraska and the railroads.

Mr. STICKLE. It is simply that the railroads run the State, and they have for 17 years.

The CHAIRMAN. How?

Mr. STICKLE. They run it through legislation in their interest.

The CHAIRMAN. Are not some of these business men and farmers in the legislature?

Mr. STICKLE. They get there, but enough of them never get there to affect it.

The CHAIRMAN. How do the railroads run the State, as you say?

Mr. STICKLE. The railroads get enough men there to favor their legislation.

The CHAIRMAN. What kind of legislation do they get which is in their favor?

Mr. STICKLE. If it is not positive legislation in their interest, whatever legislation is had is of such a nugatory character, like the "Tub law," that it might as well be in the interests of the railroads.

## EXTORTIONATE RATES.

The CHAIRMAN. What are the specific complaints that the farmers make against the manner in which the railroads treat them?

Mr. STICKLE. Extortionate rates.

The CHAIRMAN. They charge too much?

Mr. STICKLE. Too much; yes, sir. I do not know what they are charging from this city, for instance, to Grand Island.

The CHAIRMAN. Where is Grand Island?

Mr. STICKLE. In this State, west of Omaha. It is from 130 to 135 miles from here.

The CHAIRMAN. Congress could not cure that evil if it existed.

Mr. STICKLE. We are paying a transportation rate of 1 cent per ton per mile on the trunk line from here to Chicago.

The CHAIRMAN. From your town?

Mr. STICKLE. No, sir, from Omaha; and we are paying 5 or 6 cents per ton per mile from here to Grand Island. That was the rate some three or four years ago. I have not investigated it lately.

The CHAIRMAN. Is a shipment from Chicago to Grand Island on a continuous line?

Mr. STICKLE. No; it is reshipped.

Senator PLATT. You think a man in Grand Island ought to have a through rate if his produce is going to Chicago, and not a high rate to Omaha, for instance, and then perhaps a reasonable rate from Omaha to Chicago? You think his rate ought to be reasonable all the way through?

Mr. STICKLE. Yes, sir. I think the roads of this State can be operated as cheaply as can the roads running from here to Chicago. I do not think we ought to pay any more.

#### THROUGH BILLS OF LADING TO CHICAGO.

The CHAIRMAN. What is the fact as to the manner of shipment? Can you from your town make a shipment of grain or any product and get a bill of lading to Chicago?

Mr. STICKLE. Yes, sir. The "Doane law" gives us that right.

The CHAIRMAN. Do you have to pay the local rate from there to Omaha?

Mr. STICKLE. I am not certain of that on the east-bound produce, but on merchandise I am certain.

The CHAIRMAN. On freight coming from Chicago you are certain you do?

Mr. STICKLE. Yes, sir.

The CHAIRMAN. Do you get a bill of lading from Chicago to your town?

Mr. STICKLE. Yes, sir; we get a bill of lading, and then we find the back charges from Chicago to the line of this State are very small in proportion to the charges we have to pay out there.

The CHAIRMAN. I suppose you have no bill of lading with you by which you can show that state of facts?

Mr. STICKLE. No, sir; I am not a shipper at present.

The CHAIRMAN. But the fact is that the railroads charge more from here to your town than they do from Chicago to this town?

Mr. STICKLE. Proportionately, yes, sir.

The CHAIRMAN. How does it compare in the aggregate?

Mr. STICKLE. As I remarked some time ago, the rate was nearly five times greater in this State some few years ago than it was from here to Chicago.

Senator PLATT. Proportionately?

Mr. STICKLE. Proportionately.

The CHAIRMAN. That is one of the complaints made by the people?

Mr. STICKLE. Yes, sir.

Senator PLATT. Is the principal thing that the people complain of the fact that the local rates are out of proportion to the through rates, and that they must be unjust?

Mr. STICKLE. Yes, sir. It is the local rate more particularly that is complained of.

Senator PLATT. Either the railways are carrying freight at less than cost to Omaha or else they are making an extortionate rate from Omaha to your town?

Mr. STICKLE. It must inevitably be one or the other.

Senator PLATT. But you are not certain which is the fact?

Mr. STICKLE. No, sir.

Senator PLATT. You know the discrimination exists in the charges?

Mr. STICKLE. Yes, sir.



## COMPLAINT AS TO BACK CHARGES.

Senator PLATT. Is there any other complaint made by your people, or the people of any other section of the State, against the transportation companies?

Mr. STICKLE. Of course that is a State matter. We have demanded a law for a long time that would compel one railroad to receive freight from another and pay the back charges on it. They will not do that. I have had freights shipped to me here from Wisconsin, and I have been written to that the freight would not be forwarded over the Nebraska road unless I first remitted the charges.

Senator PLATT. What reason is given for that?

Mr. STICKLE. That is something that no fellow can find out.

Senator PLATT. The road simply declined to do it?

Mr. STICKLE. Yes, sir. The Saint Jo. road refused to receive freight from the Burlington and Missouri unless the back charges were paid.

Senator PLATT. Is there a pretty universal feeling among the people of your section of the State that the railroads are imposing upon them?

## A STRONG "ANTI-MONOPOLY" SENTIMENT.

Mr. STICKLE. Yes, sir. There is what we call an anti-monopoly sentiment here stronger than perhaps in any other State in the Union outside of New York.

Senator PLATT. And stronger than there is there, I should judge, from all we have heard.

Mr. STICKLE. Stronger, perhaps.

Senator PLATT. What is the general understanding as to what the remedy should be? Do the people here believe Congress ought to take some action?

Mr. STICKLE. Yes, sir; they think so. But they look more directly for immediate relief to our home legislature.

Senator PLATT. That of course Congress cannot control. If your legislature does not pass laws that will give you relief, or if your local officers do not execute your laws, Congress cannot help it. You will have to keep on agitating the subject among yourselves until you get the laws enforced.

Mr. STICKLE. We will accomplish it sometime.

## THE "REAGAN BILL."

Senator PLATT. Is there any feeling among the people in favor of Congress passing a law for the regulation of commerce among the several States?

Mr. STICKLE. I think the Reagan bill would meet the approval of a large majority of the people of this State; that is my impression; although very few—perhaps not one in ten—have had an opportunity of reading it.

Senator PLATT. Do the people understand what the provisions of that bill are?

Mr. STICKLE. I do not know that they do fully, but it would be a great surprise to them and a great relief to have Congress do anything in that direction.

## POOLING.

Senator PLATT. What are your views about the system of pooling?

Mr. STICKLE. I am entirely opposed to it. I think it is utterly destructive of all competition.

Senator PLATT. You think pooling should be prohibited by law?

Mr. STICKLE. Yes, sir.

Senator PLATT. You are opposed to pooling solely on the ground you state?

Mr. STICKLE. Yes, sir, solely on that ground. I think if rebates and pooling could be effectually abolished, the transportation question would be very nearly solved.

Senator PLATT. You are therefore in favor of a law of Congress, so far as one should be passed relating to inter-State commerce, prohibiting pools and rebates?

Mr. STICKLE. Decidedly.

#### PUBLICITY OF RATES, AND NOTICE OF CHANGE.

Senator HARRIS. Would you not require all rates to be made public and not to be changed except upon due and reasonable notice?

Mr. STICKLE. Unquestionably, yes, sir. The sudden and rapid changes, without much previous information as to them, have a great tendency to disturb values.

The CHAIRMAN. What is your judgment upon the question whether or not it is more important to the business public that rates should be stable than that they should be very low?

Mr. STICKLE. I covered that ground, I think, when I said that I regarded a rate that was constantly being changed as a greater disadvantage to the producers and the shippers of the country than even an extortionate rate steadily maintained. We want as nearly as possible a fixed rate.

The CHAIRMAN. One of the avowed purposes of the pooling system is to prevent the irregularity and changing of rates. In other words, it is to make rates more stable.

Mr. STICKLE. I believe that is true, to a degree. Still I should not favor it.

The CHAIRMAN. Suppose Congress should conclude to pass a law not prohibiting pooling, but creating some special body to control the pooling system, whose duty it should be to examine and approve or disapprove any contracts that might be made between the railroads.

Mr. STICKLE. The only question that would arise in that case would be the effectiveness of such a tribunal.

The CHAIRMAN. With a law either prohibiting pooling, or requiring that whatever contracts may be made in relation to pooling, or anything else pertaining to the transportation question, should be subject to the approval or disapproval of some special tribunal, and with a law absolutely prohibiting rebates and absolutely requiring publicity, and with some special tribunal to enforce the law, do you not think there would be some relief given to the people?

Mr. STICKLE. I should have a great deal of faith in it until it were tried; and perhaps my faith then would be strengthened.

The CHAIRMAN. If you had a law providing penalties against certain wrong-doings that you allege the railroads are now engaged in all the time, and there were a special tribunal to enforce that law, composed of the right kind of men, do you not think you would be more likely to be protected than by leaving matters the way they are?

Mr. STICKLE. Unquestionably.

The CHAIRMAN. Would not that be better than to have such a law as you suggest? Would not a special tribunal work out the problem better than if you made a law just as you want it and then left the law to the ordinary existing tribunals to enforce it?

Mr. STICKLE. I am unable to say how that would work. Of course I should try to have some faith in it until that faith was entirely exhausted.

#### RELIEF WANTED.

The CHAIRMAN. What you want is relief?

Mr. STICKLE. Yes, sir, that is what we want. We do not care so much about the source of relief. We feel that there is too much legislation for corporations and for privileged parties, and not enough in the interest of the people. A sentiment has obtained largely of late, and is spreading every day, not only in this State but in others, that the privileges of the masses, the rights of the masses, the rights of the people, must be superior to the privileges of the few individuals or corporations.

#### BASIS FOR TRANSPORTATION CHARGES.

The CHAIRMAN. On the question of what charges for transportation should be based upon, what did I understand you to say? Some of these railroads contend that they have a right to charge for the transportation of an article according to its value.

Mr. STICKLE. The *ad valorem*?

Senator PLATT. Hardly that; but they claim that the question of value and the profit in handling it ought not to be entirely ignored in the making of rates.

Mr. STICKLE. Perhaps not.

The CHAIRMAN. What is your idea of what should be the basis for fixing the rate of transportation?

Mr. STICKLE. Generally, and not to speak specifically of the whole system, the whole question of transportation resolves itself, in my judgment, into a matter of tonnage—how much does it cost to transport it. Of course then comes in the question of the long and short hauls, which would have to be taken into consideration. Still, we would have to go back to tonnage as the basis to start on.

The CHAIRMAN. When a railroad comes to fix its charges for transportation what should be the basis on which it should be fixed?

Mr. STICKLE. I should say a car-load.

#### "WATERED STOCK" EXCLUDED.

The CHAIRMAN. I do not mean that. Here is a railroad that costs so much money in the first place, and it costs so much a year to run it, with all the necessary expenses connected with its operation. Should the charge be based on the value of the road and on the cost of the current expenses, a given per cent. on the whole business, or should it be on some other ground?

Mr. STICKLE. I should say it should be on the cost of the construction of the road, and such a rate as would give a fair remuneration for the capital invested.

The CHAIRMAN. Like any other business?

Mr. STICKLE. Entirely ignoring watered stock and all that sort of trumpery.

Senator PLATT. By watered stock, you mean to include anything which has been expended in the building of the road in an improper and fictitious way?

Mr. STICKLE. Yes, sir. If there were wrongs in the construction of the road by which the road was robbed, through extraordinary charges

or expenditures, I do not want them to be included. We want to know the actual cost of the road, and then have the stock based on that.

Senator PLATT. I should judge that your objection to a commission depends very largely upon what you fear would be the character of the men composing it.

Mr. STICKLE. That is it, precisely.

Senator PLATT. I want to make this suggestion: You have a law here which says that every railroad shall give all persons reasonable terms for the transportation of merchandise. That is one thing. It says, also, that the roads shall not allow any person, upon the transportation of freight, directly or indirectly, any secret rate, rebate, drawback, unreasonable allowance, or undue advantage whatever. You have those two things in your law: First, that people shall be able to transport merchandise on railroads on reasonable terms; and second, that there shall be no secret rates or rebates or drawbacks given to any one. There is also a provision that if any railroad company violates the law in these respects the officer doing it shall be liable to a penalty of \$500. Suppose it is possible for you to get a commission of three persons who are absolutely in favor of the people, and whose business it is to investigate every complaint, and if the complaints be found to be true to certify them to the proper officers with the direction that they shall prosecute them.

Mr. STICKLE. If they were absolutely and unequivocally with the people, it would be a great thing; but it would be a very deplorable thing if they were unequivocally with the corporations of the State.

Senator HARRIS. If they were honest men, who were willing to perform their sworn official duties, do you not think it would give efficacy to the law, which seems to have laid a dead-letter on your State books?

Mr. STICKLE. There is so much virtue in that "if" which you interject in your remark. I do not exactly know how to get at it.

Senator PLATT. I see where the trouble is, I think. You do not believe the right kind of men will be got to hear the complaints.

Mr. STICKLE. The corporations of this State and country are more powerful than the people.

The CHAIRMAN. How much good has that law done the people?

Mr. STICKLE. I do not think it has done much.

The CHAIRMAN. Has it done any good?

Mr. STICKLE. If I were under oath I could not say it has done any good. But it does not follow that a law could not be enacted, making it mandatory on some one to enforce its provisions, that would be effective even if that law is not.

Senator HARRIS. What more would you require the law to contain than is contained in this statute, which requires absolutely reasonable rates, and forbids absolutely all discrimination between individuals, all secret rebates and drawbacks, and demands of the transportation companies absolute fairness in their dealings between all the people; and which further imposes a high penalty for any violation of it?

Mr. STICKLE. I should probably make it, as I remarked, the business of some one to enforce that law, and not make the prosecuting witness, who may be some poor devil of a farmer with no money, go to law with the railroad.

Senator PLATT. That law evidently contemplates that the man who has a complaint to make must prosecute.

Mr. STICKLE. Yes, sir.

The CHAIRMAN. That would be so as to any law unless you provided some special arrangement, would it not?

Mr. STICKLE. Yes, sir; I think it would.

Senator PLATT. The law might go further and make it the duty of the prosecuting officer—the district attorney or the attorney-general—to prosecute the railroad for violations of the law, even at the expense of the State.

The CHAIRMAN. That law would be like the law in relation to usury—the charging of usurious interest. There are laws on the statute-books against the charging of more than a certain amount. Is that law enforced in this State?

Mr. STICKLE. Very seldom. If a man pleads usury he is not apt to borrow money very soon; and if a man prosecutes a railroad for an infraction of that law or any other, he would probably not get the chance to ship much merchandise. They would be very obliging and very willing to furnish you with cars, but they wouldn't have them just at the present time.

Senator HARRIS. Take your statute just as it is, and then create a tribunal of one or more men, and make it the duty of that tribunal to hear complaints of every citizen of Nebraska who has complaints to make, and to investigate the complaints and see how much merit, if any, there is in them. If that tribunal finds there is merit in the complaints and that the law has been violated, make it the duty of that tribunal to go to the attorney-general or the district attorney and institute legal proceedings to enforce the law. Do you think that would be an improvement upon your system?

Mr. STICKLE. I think it would be a great improvement to have a tribunal or anything that we could pour our grievances into and get more consolation than we do. But still the objection arises whether the law would be enforced. You make it obligatory upon the witness, as I understood your statement, to go to the attorney-general.

Senator HARRIS. My statement is that you shall amend your law so as to create a tribunal whose duty it shall be to hear the complaint of every citizen who chooses to make a complaint, and if upon the investigation of that complaint it is found that it has merit, that it is justly made, and that there is cause for complaint, then make it the duty of that public officer or that tribunal to go to the district attorney or the attorney-general, as the case may be, and prosecute it.

Mr. STICKLE. Yes, sir; I think that would be very effective.

The CHAIRMAN. You think that would do some good?

Mr. STICKLE. Yes, sir; if he would do it.

The CHAIRMAN. You would have to rely upon some human instrumentality to get any law enforced?

Mr. STICKLE. I suppose so; yes, sir.

Senator PLATT. If Congress should pass a law fixing the rates on some rule or basis for the transportation of freight and passengers, there would still have to be some public officer whose duty it should be made to prosecute for violations of that law, would there not?

Mr. STICKLE. I think so.

Senator PLATT. The law ought to provide for that, at any rate.

Mr. STICKLE. It ought to designate some one.

#### MAXIMUM AND MINIMUM RATES.

The CHAIRMAN. You have said that you think maximum and minimum rates ought to be fixed. Who ought to fix them?

Mr. STICKLE. I think, where it affects inter-State commerce, the rates ought to be fixed by Congress.

The CHAIRMAN. You think Congress, by legislative enactment, should fix the maximum and minimum rates on every railroad in the United States?

Mr. STICKLE. I do not see any other way to get out of it.

Senator HARRIS. Would you not have to classify the roads, if you were going to fix a maximum and minimum rate?

Mr. STICKLE. That would probably have to be done after consultation, and not entirely at the behest of the corporations of the country.

Senator HARRIS. Could you fix one maximum and one minimum rate and apply it to all the roads in the country?

Mr. STICKLE. Possibly not; there would be certain conditions that would have to be observed. For instance, whether it was a trunk line or a feeder. All those things would have to be taken into account.

The CHAIRMAN. Do you believe it would be practicable for Congress to fix a schedule of rates, and then adjourn and go home for a year, leaving that schedule unalterably fixed until Congress met and altered the law?

Mr. STICKLE. I think the producers and shippers could stand it first rate.

Senator PLATT. Which would you be most afraid of, a commission which might be appointed or Congress itself?

Mr. STICKLE. I do not know. They both excite a good deal of terror.

Senator PLATT. In other words, would you not be just as likely to have the power of corporations exercised in Congress with reference to the passage of any law fixing rates, as with reference to the appointment of a commission?

Mr. STICKLE. Not quite. They can influence a small body a little better than a large one. You know they pretty thoroughly abandoned the idea of trying to control the lower branches of State legislatures and Congress, and now they are looking after and providing for the comfort and well-being of Senators.

Senator PLATT. United States Senators?

Mr. STICKLE. The Senate body is smaller and more easily handled—more easily influenced. It is more easily convinced, perhaps I should say.

Senator PLATT. More easily elected, with reference to the power of the corporations?

Mr. STICKLE. Unquestionably; yes, sir.

The CHAIRMAN. To come back to the original proposition, do you believe it would be safe for the interests of the business of this country for Congress to make a schedule of maximum and minimum rates?

Mr. STICKLE. For one year?

The CHAIRMAN. For one year.

Mr. STICKLE. I am perfectly willing, as a citizen and as somewhat interested in shipping matters in Nebraska, to try it.

The CHAIRMAN. What should Congress do in the making of a maximum rate?

Mr. STICKLE. Now, you are getting me on to practical ground, with which I am not familiar.

The CHAIRMAN. I do not intend to do that; but here are different sections of the country that are differently situated with reference to the expense of operating a railroad. Here is one railroad that cost originally two or three times as much as another, the first running over a prairie and the other through a mountainous country. What are you going to do about that?

Mr. STICKLE. I think I remarked a few moments ago that there were different conditions which would have to be taken into account.

The CHAIRMAN. Would you not have to fix that maximum rate so high, in order to let the railroads in one section of the country live, that the railroads in Nebraska, which is not a very hilly State, and in Illinois, which is pretty nearly a dead level, would be able to charge two or three times as much as they ought to?

Mr. STICKLE. The railroads in the flat country and the railroads in the mountainous country would probably have representatives at Washington who would be looking after their interests, possibly more than that of the citizens.

The CHAIRMAN. But we would have to fix the same rate for all, and that rate would be at a figure where some would be allowed to charge too much, while others would be allowed to charge too little.

Mr. STICKLE. It is not a problem susceptible of easy solution.

The CHAIRMAN. Would it not be better to leave that question to some tribunal, for them and the railroads to work out, with provisions in the law prohibiting pooling, rebates, extortion, and unjust discrimination, and requiring publicity of rates, so that the wheels of business would not be blocked?

Mr. STICKLE. If we could only get a provision in the law that all the appointees should be honest men—

The CHAIRMAN. That provision is in every law, because the appointee has to take an oath to do his duty.

Senator HARRIS. Assuming that Congress undertakes to fix a maximum and a minimum rate, some principle must be established upon which you can proceed. Did you mean that in your opinion Congress should undertake to fix separate and distinctive rates for every railroad in the country, or did you mean that it should fix maximum and minimum rates that should apply to all the railroads in the country, and be general in their application?

Mr. STICKLE. I am not prepared to say. I am not prepared to give a specific opinion on that subject.

#### A DIFFICULT SUBJECT.

Senator PLATT. You will agree with us that the whole subject is a difficult one?

Mr. STICKLE. Yes, sir; it is a very difficult subject. As I remarked in the first part of my address, I do not pretend to have given the subject that study and thought which so great a problem demands.

Senator PLATT. Suppose you take this case: Here is one line of railroad that cost, even though economically constructed, \$60,000 a mile. Here is another line of railroad that cost \$30,000 a mile. This latter road which cost but \$30,000 a mile can be operated for one-half the expense which it takes to operate the road that cost \$60,000 a mile, because of the topography of the country. If you were to fix a maximum rate under which this road that cost twice as much to build and twice as much to operate as the other could live, would you not allow the cheaper road to charge two or three or even four times as much as would be reasonable for it to demand of the public, considering its original cost and the cost of operating it?

Mr. STICKLE. I can see that that is quite possible. Still, your maximum and minimum rates would be so far removed that it would offer enough elasticity. I believe at one time the Reagan bill contained a provision for a commission. It was in the 47th Congress, I think. But

the commissioners were named, if I recollect right, and they were to be Allen G. Thurman of Ohio, Professor Cooley of Michigan, and E. B. Washburne of Illinois.

Senator HARRIS. That was not the Reagan bill. That was a commission.

The CHAIRMAN. Yes; I recollect now. The committee told them it was impossible to get any such bill through Congress with those names as commissioners. They would have satisfied the people.

#### A RATE DIMINISHING AS DISTANCE INCREASES.

Senator PLATT. Have you ever thought of this solution of the trouble: a law which should prescribe that the railroad company, having established the rate for a long distance, should not increase that rate for a shorter distance except according to a certain proportion for the distance? Suppose the long distance is 500 miles and the railroad company has fixed its rate for 500 miles. The law would prescribe that for 250 miles the rates should be only so much greater per mile than for a short distance, fixing it upon an equitable and reasonable rule.

Mr. STICKLE. I think that might possibly do so long as the shorter rate did not absolutely exceed the rate fixed for the 500 miles. As I remarked before, we could not afford to enter into anything like a pro rata contest.

Senator PLATT. You think it is entirely right and proper that the rate per mile should diminish as the distance increases?

Mr. STICKLE. Yes, sir.

Senator PLATT. And if some fair and equitable rule could be devised on which that decrease should be proportioned to the distance, would that not go a long way towards solving this question?

Mr. STICKLE. It seems practical. I think it would.

#### EDWARD ROSEWATER'S STATEMENT.

EDWARD ROSEWATER, editor of the Omaha Bee, appeared.

The CHAIRMAN. You have been studying the subject under investigation by this committee, I understand. Will you proceed and give us your views?

Mr. ROSEWATER. I have given the subject of transportation and the regulation of it a good many years' study; but the progress of the country naturally has brought about many new phases in it, and perhaps some changes in my own opinion with regard to the proper course to be pursued in order to relieve the patrons of the transportation companies, and particularly of the railroads, from any of the abuses that are now existing or that have existed.

#### JURISDICTION OF CONGRESS SUFFICIENT.

I take it for granted that Congress has proper jurisdiction over all the railroads in the United States, whether they are located within or without the boundaries of a State, for the reason that any railroad, no matter how short, will assume to be a public carrier for other railroads, and will convey beyond its own boundaries.

The CHAIRMAN. It will be an inter-State business?

Mr. ROSEWATER. It will be an inter-State business; and to that extent, at least, Congress would have jurisdiction.



Senator PLATT. Congress can regulate all the traffic which assumes an inter-State character?

Mr. ROSEWATER. Yes; and inasmuch as railroads all pretend to carry on, or do carry on, that kind of traffic, and do not confine themselves to business from one terminal point to another, Congress has jurisdiction.

Of course there are two classes of railways in the country: the land-grant railroads that have been constructed by and with the aid of Congress and under its authority, and the ordinary railroads that have been chartered by the States, and which now, of course, do an inter-State traffic. The right of Congress to regulate the land-grant railroads has been, I suppose, conceded. That right has been exercised. It has been exercised, in part, in their charters, and it has been reserved in their charters.

#### THE LAND-GRANT RAILROADS OF NEBRASKA.

We people out here have a great deal more to do really with the land-grant railroads of the Government than we have with the others. The two principal railroads in Nebraska, the Union Pacific Railroad and the Burlington and Missouri River, are both land-grant roads.

Senator PLATT. What is the Burlington and Missouri River, so far as it relates to Nebraska?

Mr. ROSEWATER. It was chartered by Congress as one of the branches intersecting with the Union Pacific Railway at or about the 100th meridian; but it was finally extended.

#### THE BURLINGTON AND MISSOURI ROAD.

The CHAIRMAN. It runs from what point to what point?

Mr. ROSEWATER. It was to originally reach from some point on the western boundary of Iowa, across the Territory of Nebraska to the 100th meridian; and the right of way was granted by Congress through this then Territory, and the road was built from Plattsmouth, 20 miles below here, to Kearney, where it intersected or made its junction with the Union Pacific Railroad. But that road denied its right to prorate, and to the privileges under the original act, as interpreted by the Burlington road. And, by the way, this Nebraska road is simply a piece of railway built by the Chicago, Burlington and Quincy owners. They built it; and when they found they could not get the proper legislation in Congress to compel the Union Pacific to give them a prorate, they extended their line through and carried it to Denver and connected with the Denver and Rio Grande and the other routes to Salt Lake.

These two roads are our principal thoroughfares. We have a good many other roads in the State; but, with the exception of one road, all of them are simply branches of these two roads—that is the Elk Horn and Missouri Valley, belonging to the Chicago and Northwestern Railroad.

Senator PLATT. That road runs up through Sioux City?

Mr. ROSEWATER. That road runs from Sioux City down. That was one of the farces of the Credit Mobilier. They should have made their connection at the 100th meridian. They came across the Missouri Valley and made a connection at Fremont; but they drew the subsidy all the same.

Nebraska has three railroads, the Union Pacific, the Burlington and Missouri, and the Northwestern; the Missouri Pacific being a part of the Gould system. All the others are branches of one system, and

they are controlled by one of the three companies named; so we are dealing principally with railroads that have been regulated and are subject to the regulation of Congress.

#### THE CHANGE FROM STAGE TO RAILROADS.

When those roads were constructed originally there were no railroads in the State of Iowa within from 150 to 180 miles of the terminus of the Union Pacific at Omaha, or, for that matter, of the terminus of the Burlington Road at Plattsmouth; and, of course, the change from the staging system and the overland traffic, as we had it, at 25 cents a pound, to a railroad system, was a very desirable one. The rates, although extravagantly high at 10 cents per mile for passengers, and 7 cents for passengers, for years and years, seemed to the people who lived here at that time to be a great relief. It used to take us a month to drive to Fort Kearney in a wagon, and it sometimes required two or three months to get to the coast.

Hence, when the Union Pacific was constructed, it was a great blessing even with the rates they charged. But as the years went by people began to think about this matter. They began to compare the rates that were paid elsewhere; and then, as the State began to be settled, and travel and traffic kept on increasing, there was a good deal of talk, and a good deal of effort from time to time to get some relief in some way.

#### AUTOCRATIC RULE OF UNION PACIFIC.

Another thing, the Union Pacific Road, after it was first established, being practically the only railway to California, was managed by a set of autocrats who ruled this country not only by reason of controlling the transportation rates, but ruled it as absolutely as they now rule Wyoming up to this date. No one could go to Congress, or anywhere else scarcely, from the constable up, except as they directed. All these things had a bad tendency. That is what caused this feeling in the State against the railroads. We have had a considerable reduction from time to time on the rates.

Senator PLATT. Both freight and passenger rates?

Mr. ROSEWATER. Both of freight and passenger rates. But these reductions have only come through agitation and through a conflict that was very bitter from year to year, from one legislature to another, and from one convention to another. At last, on the 1st day of this month, we have got down to a 3-cent rate on passengers between Omaha and I think the 100th meridian. They drew the line west of that.

Senator PLATT. How much are they beyond?

Mr. ROSEWATER. Four cents and 5 cents; and I presume some of the local roads maintain the rates as high as 7 cents. There are probably three grades. But up to two years ago it was a 5-cent rate. It was only by our agitating this matter and demanding reductions and demanding legislative action that we have finally had it. This last reduction was made in pursuance of an act passed by the last legislature reducing the rate to 3 cents.

Senator PLATT. The Union Pacific and these other roads were chartered by the Government. Did Nebraska have anything to do with chartering the roads or with ratifying the charters in any way?

Mr. ROSEWATER. Nebraska was a Territory when the Union Pacific Railroad was chartered, and it had no voice at all in the matter. The

Burlington and Missouri River Road was also chartered by Congress. When they began building they had some little legislation with regard to the State donating to them an additional subsidy. The original act simply gave them every alternate section within 10 miles, and finally within 20 miles. They were placed on the same basis as the Union Pacific, but with no money subsidy.

#### DONATIONS OF LAND BY NEBRASKA.

The State had 500,000 acres of lands donated for public improvements. That land was all legislated away by our legislature as a subsidy for various railways that were to be built or were under construction at that time. The Burlington was not entirely completed at that time, and it secured its pro rata. The railroad from our town to Plattsmouth, 20 miles, which was called the Omaha and Southwestern, and another railroad, called the Omaha and Northwestern, now belonging to the Northwestern, all of them received 3,000 acres per mile of the State subsidy lands. In that way the 500,000 acres of land were absorbed. To that extent the State aided the roads. Independent of that, almost every county through which they passed was, in addition, induced or bulldozed into voting for bonds.

Senator PLATT. But the roads still hold their charters from the United States Government?

Mr. ROSEWATER. Yes, sir.

Senator PLATT. So that Nebraska has no power to alter, repeal, or amend the charters?

#### RIGHT OF EMINENT DOMAIN.

Mr. ROSEWATER. No, sir. But when we adopted our new constitution in 1875 we adopted a great deal of the Illinois feature as to railroads; and among other things there was a clause put into our constitution that no railroad should ever acquire the right of eminent domain in the State of Nebraska without subjecting itself to all the laws and regulations which this State might impose in the future. The Union Pacific Railroad up to this time has not exercised the right of eminent domain in this State. It has avoided it by creating all sorts of bogus companies under all sorts of bogus names. The Union Pacific has never taken a foot of ground yet, or a right of way, so as to acquire the right of eminent domain.

Senator PLATT. That was for the purpose of avoiding coming within your State constitution?

Mr. ROSEWATER. Still, there is one proof that I might probably cite, showing that the Union Pacific Railroad, or its attorneys at least, believe we have full jurisdiction. In 1871 I was manager of the Atlantic and Pacific Telegraph line in this city. At that time it was in part controlled or owned by the Union Pacific Railroad. I was elected to the legislature; and their general superintendent, General Stickles, requested me to introduce a bill into the legislature authorizing the Union Pacific Railroad to collect and receive the tolls over its railway and wagon bridge at Omaha. At that time it was thought it would be a wagon as well as a railway bridge. That bill was introduced. We had an impeachment trial at the time, and I did not personally introduce it, because the governor might have vetoed it. We had the bill introduced. We made one change in it, with one proviso. The original proviso was that the company should charge such toll as from time to

time it would fix. I put in the proviso that the company should charge such toll as the mayor and city council of Omaha should from time to time fix. The bill passed and is now on the statute book and has never been repealed. I take it that Mr. Poppleton, the general attorney of the road, who drew that bill, recognized the right of our State to legislate in regard to this matter, although this bridge was chartered by Congress. The question of a wagon bridge, and a toll to be collected within the limits of our city, seemed to be regarded by him as a matter about which it was essential that our State should be consulted. They have never built the wagon bridge, however.

Senator PLATT. The Union Pacific, and I presume the Burlington and Omaha roads, have branches?

Mr. ROSEWATER. Yes, sir.

Senator PLATT. Have their branches been chartered by the State, or by Congress?

Mr. ROSEWATER. They have all been constructed under the general act of our State which authorized the building of railroads. There is a State law under which a set of men may organize themselves into a company and construct roads.

#### SYSTEMATICALLY OPPRESSED BY HIGH LOCAL RATES.

We have now arrived at this point. This at least simply shows you that the original construction of these roads begot in a great measure a system of extraordinary high tolls, and that those tolls continued for years and have in a great measure still been retained. While there have been reductions, the established rates have been very arbitrary. In many cases they are unreasonable and extortionate, and the people of the interior of the State particularly have been subjected to a systematic oppression.

I will say this much: that since the new administration, under Mr. Adams, has come in they have done away with a great deal of obnoxious abuses. They have done a great deal to change and to smooth down the differences or difficulties between the people of this State and their road. Still there is a great deal yet to be done. But Mr. Adams may not be aware that there is a great deal of cause for complaint yet.

Senator PLATT. You can make known the causes of complaint, for Mr. Adams will be here to-morrow, and it will be of some interest to us to ascertain whether he can justify what the road is doing.

#### GENERAL CAUSES OF COMPLAINT.

Mr. ROSEWATER. I would like to give you a few points with regard to the general causes of complaint. Of course this is a prairie State, and the greatest product here is naturally corn and other grain. The thing the people here must have more than any other commodity outside of clothing is fuel. Now in the matter of fuel and of grain, the system inaugurated here by the predecessors of Mr. Adams has created such dissatisfaction, and it has been such a monopoly, that it alone would be cause enough for a great deal of dissatisfaction.

#### ELEVATORS OWNED BY RAILROAD MANAGERS.

In the first place, the grain elevators are substantially owned and controlled by the managers of the railroads. The grain elevator here in Omaha started out with the Union Pacific Railroad, or the man-

agers, owning 60 per cent. I would not say the Union Pacific road, but Mr. Dillon and others controlled it absolutely. The elevator on the opposite side of the river is owned and controlled entirely by the railroad people, the managers, who have put in their pro rata. And the elevators along the line of the Union Pacific are in the main under the control and ownership of the same parties.

For that reason, these elevators, having special facilities for shipping grain, are able to fix the rate on grain. They may withhold the advance which may take place in the eastern market at their pleasure, and they may grow rich at their pleasure, to the detriment of the farmers and of the smaller dealers out in the country. A farmer has no show whatever; even a man who is a merchant has no show whatever in competition with these people in the shipping of grain. The farmer or the merchant cannot get an empty car when he wants it. Neither can he get a rebate. Of course rebates are prohibited here under the statute, but it has been a dead letter to some extent.

#### HIGH RATES ON COAL.

Now I will come to the question of coal. The coal that is used along the line of the Union Pacific Railroad for the most part, and probably 95 per cent. of it, is brought from Rock Springs, Wyoming. The company has taken forcible possession of the mines, and it owns them.

The CHAIRMAN. Do you say the coal is brought from Wyoming?

Mr. ROSEWATER. Yes, sir; Rock Springs is 830 miles west of Omaha. That coal is brought here and used all along the road at different towns. The company's agents, or the men who are employed as the company's agents, sell coal. In the city of Omaha only one person is allowed to sell the coal, and he is the agent of the company. We have been buying that coal here at \$7 a ton, and that is very reasonable for the class of coal. It is very excellent coal of its variety. It is soft coal. But they come in competition here with Iowa coal and coal from the East and from Fort Scott. They have brought it here and sold it for \$7. They carry it from Rock Springs to Omaha, 830 miles. The cost of the coal mined and loaded on the cars is \$1.25 at Rock Springs, leaving them \$5.75 for the transportation of the coal to Omaha. At Sidney, 414 miles west of Omaha, they sell that coal for \$7.50. In other words, they carry coal the whole 830 miles to Omaha for \$5.75, and they charge for the 400-mile carriage \$6.50. And so it is from Sidney down. At North Platte, which is 291 miles from here, and all along the line, except at Grand Island, the same price prevails; that is, they charge a higher rate than they do right here at Omaha. At Grand Island they charge from \$6.50 to \$7, for the reason that it is in competition with some coal that is brought in from Denver, Colo., by the Burlington and Missouri. This is one of the sources of complaint. The people must have the coal, and they see no reason, if the roads can afford to carry it at five-eighths of a cent per ton per mile, from Rock Springs down to Omaha, why they should charge one and a half cents per mile at Sidney, and at North Platte a cent and a quarter a ton per mile. This is a very serious cause of complaint. It is discrimination that is very palpable.

#### EXTORTIONATE RATES ON WOOL.

I have a letter from a party with regard to the transportation of wool, which is also one of the staples of the West. The wool rate, for instance, from Evanston and Wasatch to Omaha is \$1.41 per hundred. From

Cheyenne to Omaha, which is only 500 miles, and is 400 miles less than Evanston, they charge \$1.50; and from Sidney and Lodge Pole, this side of Cheyenne, they charge \$1.60. So that actually as you come on nearer to Omaha the rates get higher. This is, of course, an exhibition of discrimination that I regard as serious. From what I can learn, the same irregularities in the tariff obtain on the Burlington system and on its branches. The grain traffic stands in about the same way.

Of course, in the earlier days we had long contests over this Union Pacific bridge here. It is still a great source of complaint, although not as bad as it used to be.

I omitted one point which I forgot, in reference to this coal matter. Hard or anthracite coal sells here at \$9.50, and at Sidney, 414 miles farther west, at \$20. In fact, the price is entirely prohibitory. The tariff from Omaha to Sidney is made so high that it compels these people to buy the Rock Springs coal.

The CHAIRMAN. Their own coal?

Mr. ROSEWATER. Yes, sir; and that same coal which sells at \$7 per ton here sells at \$7.50 at Sidney, 400 miles farther west.

Senator PLATT. How far is this anthracite coal brought?

Mr. ROSEWATER. Over 1,000 miles, and it is laid down here for \$9.50.

Senator PLATT. Practically they charge \$11 a ton for carrying it 400 miles?

Mr. ROSEWATER. Yes, sir; that is the point I am getting at.

#### GENERAL RATES OF TRANSPORTATION.

With regard to our general rates of transportation I wish to show that we have good reason for complaint. The rate from New York to Omaha on first-class freight was formerly \$1.59, and is now \$1.30. Of this the rate from New York to Chicago, 900 miles, is 40 cents, and from Chicago to Omaha, 500 miles, it is 90 cents.

The second-class rate is 93 cents from New York; 63 cents of that is from Chicago to Omaha and 30 cents from New York to Chicago. The distance from Chicago to New York is over 900 miles, the distance from Chicago to Omaha is only 500 miles.

The rate on third-class freight is 71 cents from New York, of which 46 cents is from Chicago to Omaha and 35 cents is from New York to Chicago. Let us compare those rates with the rates charged from here west. The first-class rate from Omaha to Cheyenne, 516 miles, is \$1.90 per 100; in other words, when you can carry from Omaha to New York, 1,400 miles, freight classed as first-class for \$1.30, the Union Pacific charged to Cheyenne, a distance of 516 miles west of Omaha, \$1.90, and to Denver, 569 miles west of here, the first-class rate is \$2.46 from Omaha.

Senator PLATT. Fifty cents more than to Cheyenne?

Mr. ROSEWATER. Yes, sir; Denver being only 53 miles further. To Ogden, a distance of 1,032 miles from Omaha, the first-class rate is \$3; to Evanston, which is this side of Ogden, a distance of 955 miles from Omaha, the first-class rate is \$4.25.

There is a beautiful exhibit of what I call railway classification. It is about on a plane with what we used to charge in the telegraph business. That may be a digression from the point; but when I first took charge of the wires in Omaha we used to charge from Omaha to New York \$5.65 for a ten-word message, and from Omaha to Chicago \$3.55. From Council Bluffs to New York we could send a message for \$3.65,

and from Council Bluffs to Chicago we could send a message for \$1.55. I have known men to travel across the Missouri River in a stage-coach and pay their fare of 75 cents to Council Bluffs, and 75 cents back again, and send a ten-word message, and save 50 cents in the operation. There is about the same consistency in this railroad classification as in this instance of telegraphing.

#### PROPRIETY OF REGULATING RAILROADS AND TELEGRAPHS.

Right here I will say that there is the same necessity for, and the same propriety in, regulating the railroads as there is in regulating telegraphs from time to time. When the Pacific Telegraph was chartered, Congress provided in the charter that, in consideration of the subsidy of \$40,000 per annum for ten years in succession, no message of ten words should cost any more than \$3 from the Missouri River to the Pacific Ocean, and no more than 20 cents should be charged for each additional word. From that time to this there has never been a higher charge. But we have charged right from Omaha to Salt Lake as high as \$3.50, and from Omaha to Helena, Mont., we used to charge \$6.50. That shows that regulation by Congress has a very good effect. It prevents extortion generally, and prevents discrimination against places.

The CHAIRMAN. And between persons?

Mr. ROSEWATER. And between persons.

Senator PLATT. Have you stock yards in this locality?

#### OMAHA STOCK YARDS.

Mr. ROSEWATER. We have stock yards now that are on this side of the river, established, I should say, about nine months ago. That is, they were put in practical operation at that time.

Senator PLATT. Who are those stock yards owned by?

Mr. ROSEWATER. They are owned by a syndicate of citizens of Omaha and Chicago.

Senator PLATT. And not by railroad men?

Mr. ROSEWATER. No, the railroad men have nothing to do with that, as far as I know.

With regard to this "Doane" or "Tub" law, as they call it, the law is undoubtedly efficient as far as it goes.

Senator PLATT. Its provisions are strong enough?

#### THE "DOANE LAW" IGNORED.

Mr. ROSEWATER. Its provisions are proper and right. It says they shall not charge any more for a short haul than for a longer one. But the illustrations that I have cited here would indicate that they do charge more in spite of that law. As a matter of fact, the railroad companies have ignored the law ever since the law was passed. Not only that, but they have made a farce of it. That is the only way they have been able to ignore it. In other words, they first took the position that it was a grand piece of folly to say that they should be regulated at all, and they called it the tub law—the tub thrown to the whale—and the paper which they have in this city, and their favorite shippers and parties who are in with them in general politics, or out of politics, all set up a general howl and a guffaw at this law.

Senator Van Wyck was one of the promoters of this law. He was a member of the legislature that passed that law. It was the best that could be done at the time with that legislature. If enforced to-day, it would accomplish a great deal and would do away with abuses. I would

enforce the law. I have put it in force, as far as I am concerned. Up to the time this law was passed, under a very arbitrary ruling of the Pacific railway, they refused to carry our papers on a freight train that carried other papers. For years they refused to carry them, and I had no remedy. At least I thought I did not have. They said they would not bill them; they had no time to bill at five o'clock in the morning. But after that law had gone into effect I called on Mr. Vining and wanted to know whether he was going to send those papers. I was, of course, willing to pay for them. He said, "I don't know. I suppose we will have to." I said, "Certainly you will have to. If you do not I am going to prosecute the company and enforce my rights." An order was issued to that effect, and the papers have been going ever since.

#### A COMMISSION NOT APPROVED.

There is one way of illustrating that a law is better than commissions. There is a telegraph law, for instance, in our State to-day, that prohibits discriminations, rebates, and all that sort of thing. I will use that as an illustration to show that laws can be enforced and that the proper remedy is not with commissions. As far as I am concerned, I do not believe in commissions, because I think a citizen who is injured can always get redress, if the statutes will provide the proper remedy.

Senator PLATT. If he will make the effort?

MR. ROSEWATER. If he will make the effort. This telegraph law is on our statute-books, and provides exactly the same thing with regard to short and long distances, and all that. I found last January that I was paying a great deal more for special dispatches than the other papers were paying who were in the Associated Press, as was our paper. I inquired into it, and was told if I would sign a certain paper—which I had refused to sign—which bound me, or the Bee Publishing Company, not to patronize competing telegraph companies for a number of years, I would have this reduction; I would have a lower rate. I refused to sign that paper; and finally when they kept it up, I notified the telegraph people that I would sue them and would recover every overcharge they had made. I insisted upon their giving me exactly the same rate that anybody else received. After I had served notice upon them, and had gone East, I saw their general manager at Chicago. He thought I ought to sign that paper. I said, "It is against my principles to sign such a paper. I think it is contrary to public policy, and I will not sign it." I had not approved of signing papers of the same character in California, and I said, "I certainly will prosecute you under our statute if you do not refund to us the overcharge." "Well," he said, "I do not like threats from anybody. We do not generally accede to any threats." Said I, "As far as that is concerned, I do not propose to make threats. I have simply given you notice. I have stated the fact." They appealed to General Eckert at New York, and presently the order was issued. What we had overpaid was refunded to us, and we are getting the same rates now that anybody else gets.

In a similar way I have found the same thing with regard to mileage. The Union Pacific, for instance, has been absolutely refusing to sell my traveling man mileage transportation. Last summer I concluded, after reading that bill over again, and seeing that there is something in it, after all, in regard to passengers as well as freight, that there should be no discrimination; and I took a package of bills of lading for the car-loads of paper which we had transported over the bridge, and showed that we had paid the sum of \$700 for freight. I



asked the agent to sell me mileage transportation. I said, "I hold in my hand receipts that show that we have been a patron and shipped over your railroad, and consequently we are entitled to the same treatment to which any other shipper is entitled." He telephoned down to the headquarters of the company, and the answer came back, "Go ahead and sell him the ticket," and they sold the ticket. But up to that time for several years they had refused to do it. I see Mr. Adams and the present administration has endeavored to remedy a great deal of abuse. I admit that.

Senator PLATT. May I ask you if you think, in his management of the road, he intends to remedy these abuses as fast as it can be done?

Mr. ROSEWATER. I should suppose he does. As far as his talk goes it is very satisfactory. I have had a conversation with Mr. Adams, and have given him some outline of the personal complaints here. He said he would do what he could to bring about a better state of affairs and a better state of feeling between the people and the railroad company. Still I believe we need the protection of the law. The former manager of the Burlington system, Mr. A. E. Touzalin, said to me, "Why do you persist in this agitation of the anti-monopoly question, and in forcing this railroad legislation? We are doing everything we can to develop the State, we are encouraging the settlement of the State, and you know it has increased in population and wealth through our efforts." I admitted that the railroad company had done a good deal to bring about that state of facts, but I said, "I simply liken it to the people of Great Britain. They had good kings. Their kings built highways and harbors and aqueducts and bridges and all sorts of improvements for the public with the people's money. Having done so, they were generally regarded as good kings; but, in order to protect themselves against the bad kings that were likely to come, the people of Great Britain enacted certain limitations. These limitations were put into the shape of parliamentary usage and enactment, and they prevented kings from overstepping the boundary lines and tyrannizing over the people. It is the same thing with railroads," I said, "you do not know to-day but that your head may be off to-morrow. Jay Gould or some other man may be here in charge of your road. What we want is protection against abuses, and we cannot get it except by law."

Senator PLATT. You do not think, then, that you have corrected all the abuses yet?

Mr. ROSEWATER. I think not. I think there is a vast amount of improvement needed yet that can be had eventually. When we are told, for instance, with regard to these railroads out here, what they have cost, as compared with the railways in Iowa and Illinois, I simply answer this: "We have nothing whatever to do with that. It does not matter how much the railroads cost when they were built, or how much the men who built them fraudulently expended to their own partners. The question is simply this: What can a railroad of equal capacity, with the best equipment, be laid down for at this day in this country, and to what extent would that bear any relation to the income and the charges of this road?" It does not seem to me, if I were going to rent a house, that it would be the province of the man who owned the building to point to the fact that twenty years ago bricks cost \$20 a thousand in Omaha—and I remember that I used to pay \$20 a cord for wood here and \$100 for lumber. If that man should say, "That building cost \$100,000, and I must get money on it enough to pay the interest on that sum," my reply would be, "What can such a house be built for to-day?"

## THE OMAHA ROADS PRACTICALLY NON-COMPETING.

Senator PLATT. Are these two roads, the Burlington and Missouri and the Union Pacific, competing roads here?

Mr. ROSEWATER. To some extent, but not very much. I question whether they compete very much.

Senator PLATT. Suppose they are not competing. It is the case where a great many roads have been built in many parts of the country, that one railroad could do all the business properly, and with proper dispatch, and serve the public as fully as is requisite. Suppose three railroads have been built, and all built on honest capital. You have then three times as much capital invested in railroads between these points as is necessary. What are you going to do? The transportation charges are really a tax upon the public. Are you going to tax the public enough to let all three of those railroads live on a fair basis of honest capital, or enough only to let one railroad live? There is a problem I would like to have you give your views about.

## LIMIT RAILWAY CONSTRUCTION.

Mr. ROSEWATER. I have thought of all of that. One point is that the day has come when we must limit the construction of railroads. I believe that before any railroad should be chartered by either the State or national Government there should be some inquiry as to the policy of building more railroads, and as to the progress of the country through which the railroads pass, and the facilities for travel already existing. I admit that when three railroads live on one section of the country where only one railroad can make a respectable living on the money expended, it is a very serious problem. But it is no worse than where three newspapers start in a town where only one is needed, and only one could pay. But when newspapers start, and they find there are too many, they can do one of two things; they can consolidate, or they can die—or they can all starve, as they see fit. But the newspapers for all that cannot tax the public. There is the beauty about that. They can only tax the owners.

Senator PLATT. On the other hand, the railroad is there.

Mr. ROSEWATER. The railroad is there, and a railroad toll is in a certain sense a tax. Hence the question arises, to what extent can a community be subjected to the deliberate taxing power of the railroad? Another company might build another line from here to the Pacific, although there is no need whatever for it, and it might then pool with these other roads. These railroads must either fight to the death or they must pool. One of those two things is inevitable.

## BASIS FOR RATE-MAKING.

Senator PLATT. Suppose another company should parallel the Union Pacific Railroad to San Francisco, with an honest investment of property in each one, so far as construction is concerned. If the Government is going to fix rates, should it fix rates on which both roads can live, based on the honest capitalization, or should it leave it to them to divide what would be sufficient for one to live upon?

Mr. ROSEWATER. In fixing rates it seems to me the question should simply be to what extent can the public be taxed for the traffic that they are obliged to carry over the public highways. If there are more public highways than are absolutely needed, the men who invested in

those highways must take the consequences. They ought to have brains enough not to put money into railroads where they can see there must be a loss sooner or later.

There are the two problems. Are you going to allow an unlimited number of railroads to be constructed, and then, just as rapidly as they are completed, allow them to compel the people to pay increased rates? It does not seem to me that would be good policy. The policy of the Government should protect the people against all these needless encroachments.

#### EFFORTS TO PROCURE RAILROAD LEGISLATION.

I have cited, in a general way, the causes of complaint here and the dissatisfaction; but I have not dealt at any length with the efforts that have been made to get legislation. Our constitution, which was adopted in 1875, made it obligatory, or mandatory, almost, on the legislature to enact laws prohibiting discrimination, or, as the constitution says, unjust discrimination; and authorized the legislature, if necessary, to establish maximum rates; and required the legislature to prohibit pooling between parallel lines; and authorized the legislature, in the enforcement of all railroad regulations, to go so far, if necessary, as even to require the forfeiture of franchises already existing.

The CHAIRMAN. Forfeit franchises already granted by the State?

Mr. ROSEWATER. Already granted. There has been since 1875, I think, at least five succeeding legislatures.

Senator PLATT. You have biennial sessions?

#### THE "DOANE LAWS."

Mr. ROSEWATER. We have biennial sessions. There have been some special sessions, but I think only one or two. The first practical attempt at legislation, that is, the first bill ever passed, was the bill in this statute here. It was called the Doane law. It was a bill introduced by State Senator Doane, of this county. That law in its general provisions was in conformity with the constitution, but it was assailed at the time, as I have previously stated, as being practically inoperative, unjust, extravagant, and I do not know what all. The railroads declared in a general way that they would live up to the letter of the law. They have lived up to it with a vengeance. They started out in the first instance to declare that they could not carry any exhibits to the county or State fairs without full transportation rates, exactly at the same prices that were exacted from ordinary shippers for the same classes of commodities.

The CHAIRMAN. Could they do so under the law? What was the fact?

#### OPPOSITION OF THE RAILROADS.

Mr. ROSEWATER. I think they could; they could have made a classification. The law does not require anything more than that for a like shipment over a like distance, a like rate shall be exacted. It requires that there shall be no discrimination. There may be a classification for State fairs just as there could be for excursions. They said that no more excursions could run in the State. They could give no excursion rates. The rate to be charged was to be uniform.

The law does not contemplate anything of that kind, and they have so discovered since. But it was sufficient to create a general distrust

and a general dissatisfaction. They also went to work and under all sorts of pretexts raised the rate in far western localities, construing this law with regard to short and long distances in a very exact way; so that the people said, "This law, instead of reducing our transportation rates, is actually raising them; and instead of its being a relief, it is a burden." In that way the thing gradually wore down until the railroad managers found it convenient to ignore the law entirely. I have reason to believe that a great many drawbacks have been allowed in spite of the law; and certainly much greater rates are being charged for shorter distances than for longer ones; so that that part of the law at any rate has been systematically violated.

#### METHODS USED IN DEFEATING LEGISLATION.

The next effort was made in the succeeding legislature. There has been no legislature in session for the last eight years, at any rate, in which there has not been a great struggle over railway legislation. The methods generally pursued by the railroad managers have been these: They would get some of their friends to introduce multifarious bills, some of them so extraordinarily stringent that no rational men would want to vote for them; and by creating a confusion of ideas and a conflict of opinions, and by having a large lobby at the State capital, and by making all sorts of promises of reward and of employment to members of the legislature; by combining with parties who had jobs to log-roll through the legislature, and by becoming backers of those jobs, and, in return, trading and exchanging votes, the railroads succeeded in defeating every effort made so far to get legislation, until this last winter. There have been bills passed through one house—excellent bills, and bills that were moderate—that would be defeated in the other house, and *vice versa*.

THE CHAIRMAN. What additional legislation have the people been seeking since the first law was passed?

MR. ROSEWATER. They have sought, in the first place, for a reduction of the passenger rates. That has been sought right along in every legislature, and it was not obtained until last winter. It is very moderate. The law provides for a 3-cent rate this side of the 100th meridian. The general demand was for a law that would define much more clearly what unjust discrimination should be, and, if possible, that there should be a rate law fixing a maximum, and perhaps also a minimum, rate, with regard to four or five classes of freight. That is, upon grain, cattle, coal, and lumber. Upon the ordinary lines of merchandise no one has sought for, or at least no general effort has been made for, and no one has particularly advocated, a tariff.

#### PROPORTION OF STATE AND INTERSTATE TRAFFIC.

SENATOR HARRIS. I would like to ask you about what proportion of your railroad traffic begins and ends in the State of Nebraska, and what proportion begins in another State and ends in Nebraska, or begins in Nebraska and ends in some other State? In other words, I want to know how much of your traffic is State and how much is interstate commerce.

MR. ROSEWATER. That would be a very difficult question for me to answer. I have no access to the railroad records. Various statements have been made. I remember Mr. Dillon, in his last report to the stockholders, made a statement that a large per cent., something like

60 or 70 per cent., of the entire traffic of the road was local. That is, that it began at Ogden and ended at Omaha. But even that would be interstate, because a great percentage of that, such as the coal traffic, begins in Wyoming and ends here. To get any idea of the approximate percentage of local and through traffic would be very difficult.

Senator HARRIS. I supposed you would probably have an approximate idea as to the percentages.

Mr. ROSEWATER. I have not. I will proceed with regard to this legislature. These bills, as I say, have been defeated; and when I say there were corrupt influences used, I mean exactly what I say, and I have evidence of it. I was traveling, for instance, last winter on my way down to Lincoln, and I met a gentleman from Columbus.

The CHAIRMAN. Columbus in this State?

#### LEGISLATORS FAVORED BY RAILROADS.

Mr. ROSEWATER. In this State. He said the member representing that county in the previous legislature of 1881 was sent there under express instructions, and with pledges, to assist in getting up a railway law, and he had systematically voted the other way, or had absented himself when he did not vote against railroad legislation. He said, "That man now has special facilities and special rates over the road in his business, and he is ruining my business." This man is in the hardware and machinery business; and he said, "I cannot begin to compete with him. This man has an annual pass over the road to go where he pleases. Besides that, I believe he has also lower rates, so that I cannot sell or compete with him at all." There are other instances that I might cite where members of the legislature within a few weeks, or at the outside a few months, found their way right to this city. They did not even dare to go back to their own constituents, and they found their way here, and went into the employment of the company, either in the shops, or at the headquarters, or for the bridge company. I do not say that is the present régime of the road, but that was the way up to the last legislature.

#### PROPOSED CONSTITUTIONAL AMENDMENT REJECTED.

When the last legislature convened there was an expression of opinion upon the part of the people of this State upon the question of legislation that was very emphatic. The legislature preceding that one had submitted to the people of Nebraska a constitutional amendment providing for the election of a railway commission. Our constitution prohibits the creation of any new State officers beyond those already named in the constitution itself of 1875. So that this railway commission could not have been constitutionally created. We had an opinion of the court upon that question. Therefore this constitutional amendment was submitted. That amendment was snowed under, so to speak, by a very large majority—nearly two to one.

Senator HARRIS. By the popular vote?

#### THE PEOPLE'S DECISION FRUSTRATED.

Mr. ROSEWATER. By the popular vote. It would have been supposable that when the people voted that down and indicated that they wanted no such machinery—whatever their motives might have been, that fact was not to be questioned—the legislature elected at the same

time should have had respect for this expression of opinion by the people who elected them. But instead of that there was introduced in the legislature as usual a certain amount of regulating legislation. There were bills regulating tariffs; there were bills reducing the present rates; and in the general wrangling, of course, the same tactics being exercised and the same railroad lobby being there—pretty nearly every prominent railway manager was there, the Burlington managers being particularly prominent—they deliberately strangled every effort in the legislature for a bill. Even the efforts that were made there at the time to make a single 3-cent bill was voted down.

Senator HARRIS. That was for a passenger rate?

Mr. ROSEWATER. Yes, sir; a uniform passenger rate. They voted that down, and finally they forced upon the legislature, and I say deliberately forced upon the legislature, this bill creating a bogus railroad commission. I say "bogus," for the reason that a commission could not be constitutionally created, and therefore this substitute was provided in the shape of three secretaries. They are the secretaries of the State officers. The officers are supposed to be the commissioners, but the secretaries are really to be the commissioners. Of course, it was certainly not in conformity with the spirit of our constitution, and it was in open defiance of an expressed popular vote given two years ago this fall. There was every effort conceivable made down there to have that bill put through, and it was put through at the instance of the railroad managers. I defy any of them to tell me here that that statement is not true. They were there to see it put through, and they managed to have it put through. They alone are responsible for it. What we have to hope or to expect from a measure that has been forced upon us by the parties who are opposed to regulation, and who certainly do not want any regulation that will decrease their income, I fail to see. Of course that has now gone by. We have the commission.

Senator HARRIS. This last act does not repeal the former act, does it?

Mr. ROSEWATER. It does not.

Senator HARRIS. It leaves that act standing?

Mr. ROSEWATER. It leaves it standing; so that the commission has that to go upon.

Senator HARRIS. Does this last act require the commissioners to enforce the former act?

Mr. ROSEWATER. I do not remember clearly about that. I have not examined it with that view.

Senator PLATT. I notice that they are to listen to all complaints that are made under it.

Mr. ROSEWATER. After all, while that provision may be taken as strictly applying to the previous law, the fact does remain that the commission is clothed with no authority except to inquire into complaints, and to report the same from time to time to the governor, and through him to the legislature, for redress. Of course, any person who is aggrieved under the old Doane law on account of discrimination may bring suit; but there are some features of that law that are very lame.

#### WHAT IS AN UNREASONABLE CHARGE?

For instance, it is a very difficult thing to establish what is an unreasonable charge. Our constitution says that charges shall not be unreasonable. So does the statute. But that is a very indefinite thing.

What might be regarded as extremely unreasonable in Massachusetts or New York might actually be reasonable in Nebraska. Again, what might be unreasonable here would be regarded as reasonable in Wyoming or off in Nevada. Without a specific maximum charge, or some limitation by law that would show just exactly what you would regard as unreasonable, there is no possibility, in my opinion, of enforcing any penalty upon the railroads in Nebraska under that part of the statute.

#### WHAT IS UNJUST DISCRIMINATION ?

There might be an enforcement of it so far as discrimination was concerned. But there come in the words "unjust discrimination." I have heard my friends, the railroad managers, contend a dozen times in the legislature that there is a discrimination that can be just and reasonable, and that should be allowed. Where will the line be drawn between just and unjust discrimination ? For instance, they say that when a man ships 100 car-loads of freight he ought to be entitled to a better rate than the man who ships 10 car-loads or only 1 car-load ; and that it is no discrimination against the shipper of the smaller number of car-loads to charge the shipper of the 100 car-loads a lesser rate per car-load.

#### THE CAR-LOAD THE UNIT.

I would hold, if we were to establish it—and that is what should be established—that the car-load should be the unit, and that the shipper should have no rebate for any large shipment, whether he shipped a thousand cars or one hundred cars or any other number.

Senator PLATT. Do you know practically how much rebate the roads give on a large shipment over a small one ?

#### REBATES.

Mr. ROSEWATER. That is, of course, kept very closely in the auditor's department. They employ a large number of clerks in the offices of both of the railroads. They are called "overcharge clerks." Those overcharge clerks, of course, handle not only the proper overcharges that come along during the course of business, but also the rebates. I have reason to believe that there have been rebates allowed, but of course, under this statute, the railroad company is not likely to come forward and notify anybody that they have allowed rebates ; and those parties who are enjoying that privilege are not likely to come forward and tell upon themselves, and have the privilege withdrawn.

The CHAIRMAN. Do you think that could be practiced very long without being found out ?

Mr. ROSEWATER. It might be, and it undoubtedly is, with regard, for instance, to the grain traffic.

Senator PLATT. The railroads hold that they have the right to do it. They say that is not unjust discrimination, as I understand it.

Mr. ROSEWATER. That probably would be the answer. If we should find them discriminating in that line that would be their answer. But they never tell that they do make rebates. They deny that rebates are being made.

Senator PLATT. Yet the course of business, and the way people conduct their business, satisfies everybody that rebates are made ?

Mr. ROSEWATER. All I know is, for instance, that I had a letter in my pocket from a man in Grand Island, who says that when he was

shipping grain there he was constantly growing poorer and poorer, and that he could not compete with the other men. The others were getting drawbacks which enabled them to earn a large income where he was actually losing money. That man, too, is not a man who asks me to have it kept in confidence. If there is any desire for it, I will give his name. In fact he makes this quite a serious complaint. I have already stated to-day and have shown that the rates on those particular necessities, like coal, are very different in different places, and are extravagantly high in the western part of the State as compared with this end of the State. So that there is no doubt some legislation is necessary, unless the railroad companies are willing on their own account to right the wrong.

#### THE REQUISITE LEGISLATION.

The CHAIRMAN. Tell us what legislation is needed in your opinion.

Mr. ROSEWATER. In my opinion, I believe Congress should enact that clause of the State law—it probably is in the Reagan law—which provides that they shall not charge a higher rate for a short distance than for a longer one.

Senator HARRIS. That they shall not charge a higher sum or a higher rate per mile?

Mr. ROSEWATER. No; a larger sum.

Senator HARRIS. In the aggregate?

Mr. ROSEWATER. In the aggregate. That would be one way of stopping it. There should also be a statutory enactment, in my opinion, that would fix the charge per ton per mile. I have heard a great many railroad men at different times with reference to legislation, who have invariably said that nobody except a railroad man could possibly arrive at any conclusions on this subject; that is one of those mysterious intricacies that no person can solve, unless he is right in the office himself.

#### RATE-MAKING NOT SO DIFFICULT AS IS INTIMATED.

I find upon inquiry of railroad men as to how they arrive at the cost of transportation, that they have no difficulty about it. They arrive at it by the basis of car load rates per ton per mile. It costs the railroad so much per ton for a given amount of freight to carry it one mile; and they aggregate the miles and thereby ascertain very nearly whether they are losing or making money in getting certain rates. But in making rates they do not govern themselves by the cost, or anything of the kind. They usually ascertain, first, the character of the commodity, and the business of the party who has it in hand, and the amount of charge he could stand without entirely stopping his traffic. They depend also upon the local necessities, where there is no competition. Rates are arbitrarily fixed, entirely. It seems to me if a railroad company can carry coal to Omaha and deliver it there, and sell it for \$7 a ton, which is at the rate of five-eighths of a cent per ton per mile, after deducting the cost of mining and handling on the car, they ought not to be allowed to charge  $1\frac{1}{2}$  cents per ton per mile to take it to Sidney and  $1\frac{1}{4}$  cents per ton per mile to take it to North Platte. It seems to me that they ought to be able to deliver that coal at the same ratio, or at least something near it.

#### THE SHORT AND LONG HAUL.

The question would arise whether a short or long haul should be treated alike. I would say no. I do not say, of course, that the short



haul should have a higher rate than the long haul, but there must be some definition of a short haul. What can that mean? Does it mean 150 miles or 200 miles or 100 miles or 50 miles or 10 miles? There must be a national law declaring what a short haul is, and defining what a medium haul is and what a long haul is. If that were done, and it were divided up in such a way as to say that the charge for 100 miles should be so much per ton per mile as a maximum, leaving the roads a reasonable margin in which to come down to the lowest rate, or make a maximum and minimum rate, and then say that for any distance under 200 miles the charges should be so much, and for any distance over 500 miles it should be figured as a long haul, and the charge allowed would be so much per mile, I think there would be no trouble about it.

Senator PLATT. The medium and the long and the short hauls would have to vary according to the length of the railroads, would they not?

Mr. ROSEWATER. Not necessarily. They do not transfer because they have short railways nowadays.

Senator PLATT. If you had in the State a railroad that was 500 miles long, and you had another railroad in the State which was only 250 miles long, you would want to make a difference between those roads in determining what was the short and what the medium and what the long haul, would you not?

Mr. ROSEWATER. I do not think I would. I think we would have to treat all railroads as a continuous line nowadays. They are practically, in operation, a continuous line. They now load a car-load on the shortest line and transfer it to any distance. I would treat the roads in that way.

#### MAXIMUM AND MINIMUM RATES.

The CHAIRMAN. Do I understand you to take the position of favoring the fixing of maximum and minimum rates by Congress?

Mr. ROSEWATER. Upon a few commodities only; as I say, upon the heaviest classes of freight. Upon that class, for instance, which the people of the United States are mostly concerned in. They certainly are more concerned in the agricultural products and in live-stock provisions, and in that class of commodities, than in anything else. Perhaps the best thing would be to make an experiment, and not to undertake to legislate too much and on too many different subjects. At the same time it seems to me that upon those mentioned it would be proper enough to legislate and fix a maximum as well as a minimum rate.

The CHAIRMAN. Do you believe your maximum and minimum rates would be of any practical value, because of the fact that you would have to fix them so wide apart?

Mr. ROSEWATER. Yes, sir. I should not think they would necessarily be fixed so wide apart. They certainly would not interfere with the present railroad charges. If, for instance, we were making the maximum charge to-day for Iowa railroads, and we made that the charge for all the railroads in the United States, it would have to be a very elastic charge. I suppose in New York, Massachusetts, and Connecticut, a rate that would be regarded as very reasonable in Iowa as a maximum rate, would be extravagantly high there. I admit that. At any rate it would limit those people, and prevent them from going beyond that amount.

#### THE PASS SYSTEM.

Senator PLATT. I am told that the New York Central Railroad carries passengers from New York to Albany for \$1.40, which is less than a cent a mile,

Mr. ROSEWATER. Yes, sir; and if the dead-heads and all the drummers were cut off, they could carry passengers here for 2 cents a mile. Drummers and commercial travelers should be put upon the same basis as all other travelers. It is maintained by the railroad men, and some of them, I suppose, would insist upon it, that it is to the advantage of the railroads to reduce the passenger rate for a commercial traveler, because it increases the traffic on the railroad. That is the only ground I ever found that they could give me for sending a commercial traveler at a lower rate than they charge to a farmer, or anybody else.

Senator PLATT. Do they make a lower rate to commercial travelers?

Mr. ROSEWATER. They sell them a thousand-mile ticket at 2 cents in Iowa, I think, and in this State at 3 cents.

Senator HARRIS. Do they not sell that ticket to anybody at the same rate?

Mr. ROSEWATER. No, sir. There are 200,000 commercial travelers in the United States who enjoy this privilege. As I claim, there is not one pound more carried over any railroad by reason of those commercial travelers going over it than would be carried without them, excepting alone the samples which the commercial travelers carry in their grip-sacks or baggage.

#### THE THOUSAND-MILE TICKET.

Senator PLATT. I think the Eastern roads do not make any difference as to the person to whom the tickets are sold.

Mr. ROSEWATER. We will admit that there is a much heavier population in the East, but they treat all people alike. They sell at a minimum or very low rate to anybody who can pay the money. Here a large percentage of the people pay nothing.

The CHAIRMAN. If they did sell to all alike there are a great many men who do not want a thousand-mile ticket and who would not ride a thousand miles in very many years. They would have to pay the regular rate, so that you are discriminating against the poor or the man who occasionally travels.

Senator PLATT. Very likely, but that is not quite so bad as to sell a thousand-mile ticket to one man and not to let another man have one who travels just as much.

The CHAIRMAN. Is it right to sell a thousand-mile ticket at all at less than the ordinary fare which everybody pays?

#### MILEAGE TICKETS AT FIXED RATES.

Mr. ROSEWATER. I would consider that the proper way to do would be to sell to everybody such a mileage as they need at the regular fixed price, just as we buy postage-stamps at the post-office. There is one of the causes of discrimination, and also of favoritism, because in this very matter there are those who are favored and those who are not. The retail dealer who may go out of this city has to pay the full price. He is, to some extent, a shipper, but is not a commercial traveler; he does not ship enough to warrant him in making an application in the proper form. They have to show that they are heavy shippers over the road. The result is that those who have heavy traffic have the advantage.

Senator PLATT. You touch on the system of issuing passes; to what extent is that done here?

#### UNDER PASS SYSTEM 10 PER CENT. TRAVEL FREE.

Mr. ROSEWATER. The system of issuing passes on the Union Pacific, up to the change to Mr. Adam's administration here has been very ex-

tensive. I have talked with the conductors, and they have said that at least 10 per cent. of the traffic is free. Since Mr. Callaway has come in, a large army of political strikers and followers, who have passes all over the State, to go at leisure, has been disbanded. The Burlington road still transports, in my opinion, not less than 10 per cent. of all its passengers free.

Senator PLATT. Do you not think if the pass system were absolutely abolished by the roads, it would be better for them, and that one great cause of irritation of the people would be done away with?

Mr. ROSEWATER. Certainly; because when men travel who are paying, and they see large numbers of people who do not pay, they feel that there is some imposition upon them, or that there are people who are favored.

The CHAIRMAN. It is a source of irritation to those who do not get the favors?

Mr. ROSEWATER. Yes, sir; and it ought to be abolished. I believe if they had cut down their pass system in this State entirely five or six or seven years ago, and had adopted then a 3-cent mileage rate instead of keeping it at 5 cents up to within two years, and at 4 cents since, they would have had a larger income in the aggregate from the passenger earnings than they got at the 4 and 5 cent charge.

#### COMMISSIONS FOR SELLING TICKETS.

The CHAIRMAN. What do you say as to the commission allowed to agents for selling tickets?

Mr. ROSEWATER. That is a subject I have not investigated. That is an internal arrangement among railroads that I have heard no complaint of.

Senator HARRIS. You have scalpers?

Mr. ROSEWATER. We have scalpers everywhere, but I do not think those scalpers are employed by the railroads. They are parties who buy through tickets from parties whose destination is to a certain point and who have bought tickets through, and when they reach that point sell the balance of the ticket.

#### THE SCALPERS AS DETECTIVES.

Senator PLATT. Every city has a ticket office for every principal road. How are those ticket offices supported?

Mr. ROSEWATER. In the large cities it is quite an outlay on the part of the railroads. The scalpers are not employed by the railroads. There is another thing about the scalpers' offices. The scalpers are a sort of detective system, in my opinion. They are used by the railroad companies to detect frauds upon the pass system. Parties who want to sell their free transportation to some scalper are generally immediately spotted, and notice is served and they are usually arrested. I think that is one of the causes for doing that. If the pass system was done away with the scalpers would follow.

Senator PLATT. Do you not understand that it is the practice of the railroad companies to allow a commission to ticket agents who have their offices in the different cities for doing business?

Mr. ROSEWATER. They may do so. I should not be surprised if that were true. Instead of salaries they may be paying commissions.

The CHAIRMAN. One road may pay a salary and other roads pay commissions, as I understand it. There may be a ticket agent in this

town or in another town, and a man comes into his office and wants to buy a ticket to Pittsburgh or to Boston. It is a question as to what road he will go by, as there are several he can go on after he leaves this town by some given road. The ticket agent uses his influence to get him to go on a line from which, if he sells a ticket over that line, he will be paid a commission.

Mr. ROSEWATER. I think that is done here also.

The CHAIRMAN. What do you think of that?

#### APPLY COMMISSIONS TO THE REDUCTION OF FARES.

Mr. ROSEWATER. I should think that was an imposition in part, because it causes just that much more outlay to the railroad company, and consequently prevents it from reducing the fares. As far as I can see, the object should be to give the public the lowest possible rate for which it can afford to carry passengers.

Senator PLATT. It has been testified before us that very large commissions were allowed in some instances by the roads to agencies in distant cities for selling tickets. If the pass system should be cut off and the commission system could be cut off, and all the saving thus effected could be deducted from the price of tickets, it would be a considerable item in the way of reduction.

Mr. ROSEWATER. I have covered that branch, I presume. I have shown, so far as the people in this State are concerned, that they will still continue to agitate the enactment of laws that will establish a maximum rate, or at least a limit to the charges, and they will undoubtedly continue to agitate until they get a more stringent penalty for violations of the law with regard to discriminations and have it defined much more clearly than at present.

#### THE JURISDICTION OF THE NATIONAL GOVERNMENT.

Senator PLATT. I understand you to say, with reference to all these roads that have been chartered by the Government in the Territories which have since become States or which are still in a Territorial condition, that the Government has full power to deal with all passenger and freight rates?

Mr. ROSEWATER. I think the charters of those roads are all drawn pretty much after the July, 1862, charter of the Union Pacific Railroad. They are all about on the same model. They all state that Congress reserves to itself the right to regulate tolls. There is, of course, one proviso in the charter of the Pacific road which says that Congress reserves to itself that right only upon 10 per cent. dividend upon the stock. That is, when the road can earn more than 10 per cent. upon its investment, then Congress may step in. But I think it has been generally construed and held that Congress can at any time legislate upon that question.

#### THE RESERVATION TO ALTER, AMEND, OR REPEAL.

Senator HARRIS. Congress reserves the right to alter, amend, or repeal the charter?

Mr. ROSEWATER. Yes, sir; there is no doubt that Congress could regulate the tolls, so far as passengers and freight are concerned, over the main lines of these two great railroads in Nebraska.

Senator PLATT. Because that is inter-State business? But is there

anything, now that Nebraska has become a State, which makes it any more difficult for the Government to say what passenger rates shall be charged from point to point within the State than it was before Nebraska became a State, with reference to the Government roads?

Mr. ROSEWATER. I do not believe that on those land-grant railroads there is any question but that Congress can regulate both freight and passenger tariffs in Nebraska. On their branches I suppose it would be difficult.

Senator PLATT. Those have been built under the laws of Nebraska?

Mr. ROSEWATER. They have been built under the general laws. They can be regulated of course by the State proper, because by accepting the right of eminent domain they have placed themselves directly under the regulating power of the State.

#### TROUBLE AS TO OMAHA BRIDGE TRANSFER.

Of course there was a great deal of trouble in the early days here with regard to the bridge transfer between here and the terminus, as declared by the Supreme Court, on the other side of the river. In some respects there is trouble yet, but the thing has been materially modified. The original charter authorized the company to bond the bridge, and it reserved to Congress the power to regulate it. They were to carry munitions of war and supplies of the Government at mileage pro rata. I think it was under the act of 1866. The original rate was \$10 per car for crossing this river, or 5 cents per hundred and 50 cents for each passenger. These rates are in part still exacted and in part they are reduced.

For a long time the Government paid these full rates on its transportation. But that has been changed, I believe, through the action of the Quartermaster's Department. The original bridge charter required them to lay aside \$64,000 per annum for a sinking fund until the entire debt was covered and to keep an account of the earnings of the bridge. But that seems to have been merged into the general road in some mysterious manner.

#### NO SEPARATE ACCOUNT OF BRIDGE RECEIPTS.

Senator PLATT. Do you understand now that there is a separate account kept of the receipts of the bridge, or do they all go into the general receipts of the Union Pacific Railroad?

Mr. ROSEWATER. I understand now there is no separate account kept; but there should have been, although the company is the indorser of the bonds for the bridge and will have to meet the obligation. The requirement was that the surplus of the bridge earnings should be applied to liquidate the debt, and finally the bridge would be a part of the road, and could be operated not only as a part of the road, but at mileage rates, the same as any other part.

The CHAIRMAN. Are you sure that is not so now?

Mr. ROSEWATER. Yes, sir, of course; every time I cross the river it is so.

#### HIGH CHARGES OVER THE BRIDGE.

The CHAIRMAN. You have to pay especially?

Mr. ROSEWATER. No; but there is this regulation: If you have mileage tickets, they take 10 miles for crossing the bridge. If you go and pay the rate here, you pay 25 cents for crossing. The distance has

been set down by a very near-sighted Government engineer at 4 miles between Omaha and the transfer. But I think  $2\frac{1}{2}$  miles would be a pretty good distance. That has been kept so on the maps for years.

The CHAIRMAN. It is still called 4 miles?

Mr. ROSEWATER. Yes, sir; but it has been transposed into 10 miles whenever any one with mileage tickets has to pay for transportation; 25 cents is the price if the passenger buys the ticket, but if he forgets to buy one, as might happen to be the case, he is charged 60 cents, and a rebate check is given to him for 25 cents. That makes the rate 35 cents across the river. If he starts from Council Bluffs to come this way, and pays his fare, he is only charged 50 cents, with a rebate of 25 cents, which is a very unjust thing to our city.

Senator PLATT. Does the management attempt to justify that?

Mr. ROSEWATER. I have never heard them attempt to justify it. If you are going to Saint Paul, and purchase a ticket, you have to pay 50 cents to cross the bridge. That is another anomaly. It is very peculiar. The people in the interior of the State who do not know the fact that they can purchase tickets here for 25 cents have to pay 50 cents. I have been out there and have purchased a ticket for Omaha and have found what it would cost. Of course that is a very small matter.

#### ENORMOUS INCOME OF THE BRIDGE.

The great complaint has been about the freight, and about the fact that this bridge has earned more money than it ever cost, and that it ought to be made a part of the main line so far as rates are concerned. The income of this bridge was simply enormous. At one time it was between six and eight hundred thousand dollars a year, when they kept separate accounts of it; and in those days the operating expenses were charged against the bridge for operating the bridge. That is, about \$150,000 to \$200,000 were charged against that bridge for operating expenses. That amount was computed for every car-load and every piece of baggage transferred to the other side of the river. The entire transfer expenses at the terminus of the railroad were all charged up to the operating of the bridge, and then, in addition thereto, there were other charges.

#### WORK OF TRANSFERRING ACROSS THE BRIDGE SUBLET.

This does not reflect upon the present management, and I do not wish it to; but it shows what irritating things we have had to contend against here. The company sublet its work of transferring across the bridge. It sublet it to one man by the name of Wells, who is now at Sidney. He was to first transport freight across the bridge for  $12\frac{1}{2}$  or 13 cents per ton; but by some underground arrangement Mr. Wells was directed or requested to take two or three partners into this business. One of them was Dr. George L. Miller, and another one was Mr. Casper E. Yost, of the Republican. The rate was raised from  $12\frac{1}{2}$  to 15 cents, and then to 18 cents, and then to 22 cents, and the profits of this last transfer above  $12\frac{1}{2}$  cents were divided between this partnership concern. These parties divided all that, amounting to \$250 or \$300 a month, and they kept that up for years. Our people were compelled to keep on paying this heavy rate. The company was robbed, and not the people, by this singular division. I can prove it at any time these people want me to prove it, for I have the proof.

## THE BRIDGE BUSINESS NOW PART OF MAIN LINE.

At present the bridge is operated in a much more economical manner. I do not think the operating expenses are anything like what they used to be. The whole business of the bridge is made a part of the main line. Still, when we consider that the charges are so heavy all along the line, the question arises why common freight should cost 5 cents a hundred across the bridge. That is what we have to pay now, unless a merchant has a contract on a through rate. The local rate is still \$10 per car-load on all classes excepting, as I understand it, coal, lumber, cattle, and some heavy classes of merchandise. But all other merchandise is charged at the \$10 rate per car-load.

Senator HARRIS. How is it as to grain?

Mr. ROSEWATER. Grain, coal, and lumber are exempted. They pay \$5, or were paying it, and I suppose they are yet, by a through rate, if parties are shipping them to Chicago.

The CHAIRMAN. The owners of the bridge exempt those classes?

Mr. ROSEWATER. I do not know how that is. It was so for many years, and it got so that the State was almost in arms about it, because almost everything, until the Plattsmouth bridge was built, that was coming here or was going west, crossed this bridge.

## A LOCAL POOL.

Senator PLATT. Have you a local pool of the railroads which compete for business east of Nebraska?

Mr. ROSEWATER. Yes, sir; I think there has been a local pool here all the time, or most of the time.

I think I have got about through so far as that part is concerned, and the only thing I wish to speak of further is as to the questions you have put in the circular. With regard to the remedies to be applied by Congress, my idea would be, in the first place, that the primary remedy to be applied is, if possible, to wring the water out of all the land-grant railroads. That may be a confusing statement.

## WRING OUT THE WATER.

The CHAIRMAN. Would you not wring it out of some others also?

Mr. ROSEWATER. If Congress had the power I would have it wring it out of all of them.

Senator PLATT. If Congress is going to fix rates on inter-State commerce, of course it can fix the rates with reference to what is the real honest capital of the railroads.

Mr. ROSEWATER. These parties who operate railroads for gambling purposes do not seem to be satisfied, no matter how much wringing there is, and will not be satisfied until there is a Congressional regulation that will limit stocks, and will say how much stock a railroad company shall be allowed to issue above its indebtedness.

## PRESENT RAILROAD BUREAU SUFFICIENT.

Right here I will say that this Bureau of Railroads which is already established, and which has been for some six or or eight years at Washington, is amply competent to handle the matter, so far as I can see, as far as its jurisdiction should go. It already has jurisdiction over the

land-grant railroads, and in my opinion all the railroads could be required to report to that commission. But its powers should be limited in some degree. There should be a limit to the issuance of stocks and also of bonds for railroad purposes. When that is done, the first step will be taken, so far as extravagant incomes of railroad investors are concerned. The real investors in these railroads have probably had nothing to do with their construction.

#### PROTECT THE MASSES RATHER THAN THE ORPHANS' INVESTMENTS.

I have heard a great deal said about the orphans, and that Congress should recognize the poor widows and orphans in Massachusetts and in New England generally. I say, if anybody who is an administrator for orphans and widows would invest their money in stocks that are gambled in on Wall street, he should be branded and sent to the penitentiary. No person should invest such money in such securities. If he does it would make no difference whether he invested it in the Union Pacific or Wabash. If he had invested it in Wabash, he would have been wrung out entirely. A receiver has been appointed for it, and other railroads have had receivers appointed. It seems to me Congress should not look to the few widows in Massachusetts, but to the millions who are residing here in all this Western country who are all subjected to this perpetual tax. The tax should be made uniform and reasonable, and in their interest the tax should be made, instead of in the interest of those who have put their money into railroad stocks that are liable to be up or down from day to day.

#### RAILROAD STOCKS NOT SUFFERING UNDULY.

I do not think the railroad stocks have been suffering so much. We hear about their being in such a terrible state. I received this table a day or two ago from Bell & Hatch, bankers and brokers, No. 48 Wall street, showing the average value of eighteen leading stocks between September, 1883, and June, 1885. I will not be sure about the other roads, but I refer to those we are interested in. We will take the first, the Burlington and Quincy. In September, 1873, its stock was quoted at 90; in May, 1884, at 108; on the 10th of June, 1885, 123. So that the orphans in that direction are not very much injured or very badly off, even with the terrible squeezing the roads have been subjected to.

In 1873 the Chicago and Northwestern was 40, in 1884 it had gone up to 93, and now it stands at 90. I suppose that road has been pretty well inflated, too, by its watered stock. Still it is held at 90.

#### A CASE OF DISCRIMINATION.

There is a case of discrimination, by the way, right in that line. The Chicago and Northwestern are building a line through this State, in the northern part; and, as I am told, nobody can reasonably ship into this city from any point on that road, because of the determination of its managers to send everything on the long haul to Chicago. Of course I do not know the exact figures, but I was told to-day that parties up in Pierce County, in this State, who wanted to purchase white lead from Omaha could not afford to do so, because the rates were so high from Omaha as to be prohibitory. At the same time they are obliged to get their white lead from Chicago. This kind of discrimination does not come under inter-State commerce. Still, it points the way. The



roads seem to be determined where they shall do commercial traffic. They not only seem to want to carry on the affairs of the railroad, but they want to be sure that they can entirely control the commerce of the country—this corn and coal and lumber traffic, and everything of that kind.

#### COMPARISON OF STOCK VALUES BETWEEN 1873 AND 1885.

Rock Island is also in the same category in this State. We deal with that road. We find that in 1873 its stock was 86; in May, 1884, it was 108; and now it is 114, on the 10th of June.

The Union Pacific was 45 in 1873; 35 in May, 1884; and on the 10th of June, 1885, it was 53. I do not know what it is to-day. On what? That was the price of the stock not only of the Union Pacific as it was quoted in 1873, but of some 20-odd millions additional stock that has been merged into it from the Kansas Pacific, worth 5 cents on the dollar, and large amounts of other fictitious stocks that have been merged with it, all now called, in general, the Union Pacific Railway. Still, its stock is 53.

#### THE WIDOWS AND ORPHANS NOT BADLY OFF.

Certainly the widows and orphans in Massachusetts are not so bad off, after all, as I thought they were. So far as Congress is concerned, it certainly could legislate with regard to these railroads without actually impoverishing these widows, and at the same time do justice to our people. I think the fixing of a maximum rate that would be rational and reasonable per ton per mile, and the establishment of two units, 100 pounds for broken car lots and a car-load as the unit for each car-load lot, would be very essential for this section of the country.

Senator PLATT. If you have thought on the question, let us hear what you think the effect of a reduction of rates would be on the aggregate or net earnings of the road. What would be the effect of the 25 per cent. reduction all around?

Mr. ROSEWATER. I do not think a cut of 25 per cent. would be admissible. I do not think the traffic of the road would increase proportionately to make up that amount. I should not want to believe that. There is, of course, a limited amount of traffic, now that four or five other Pacific railroads are competing with this road.

#### EFFECT OF 25 PER CENT. REDUCTION IN RATES.

Senator PLATT. The cost of a ticket from New York to San Francisco, I think, is \$125. Suppose that ticket was reduced to \$100, which would not be quite a reduction of 25 per cent. That would have some effect to increase business over the road, would it not?

Mr. ROSEWATER. I think that with regard to passengers the 25 per cent. reduction could be made very safely, because in that case there would be an incentive to travel, that would increase the number of passengers very materially.

Senator PLATT. It would increase the amount of immigration too, would it not?

Mr. ROSEWATER. And immigration, and all that.

Senator PLATT. And when immigration came, that would increase the freight business.

Mr. ROSEWATER. On the other hand, the freight traffic is not to be

increased by any incentive of that character. That is, in my opinion, a reduction on freight would not create new freight.

Senator PLATT. Not immediately; but if it stimulated immigration and the settlement of the country, it would eventually stimulate freight?

Mr. ROSEWATER. That would be at some distance off. There is no doubt a reduction ought to be made, not a horizontal reduction, going through the traffic indiscriminately.

Senator PLATT. I speak of that only for illustration.

Mr. ROSEWATER. I think there should be more than that on some classes of freight, as I find the traffic now. I think there should be 50 per cent. on some classes, according to the rates now exacted by the road, because they are not uniform, considering distance and service.

Senator PLATT. In the case of gas companies, when any reduction in the price of gas has been made in any city, the result has been that the receipts for gas have kept up to what they were at the former price. Would not the same principle operate as to railroads to some extent?

Mr. ROSEWATER. The gas receipts depend on the meters a good deal. They can probably regulate the meters so as to make the income keep up. But I do not think the railroads have meters enough, or rather they have not the machinery to do it.

Senator PLATT. In other words, the freight business is limited by the capacity of the company?

Mr. ROSEWATER. Yes, sir.

Senator PLATT. And the production?

Mr. ROSEWATER. And the production, and the commerce, and its manufactures. But I will say this as to this general matter: I was before the Judiciary Committee of the Senate, and that point came up as to the Union Pacific Railroad and its earnings. With regard to whether it would be proper and safe to reduce the earnings of this road, that brings up another question, because Congress is regarded as a sort of guardian of this system of land-grant railroads. I know the effort is being made to compute the amount of indebtedness of the road, and to get it down to a low interest-bearing bond, and then to fund it and keep it running for the next sixty years, and to allow the company to make its rates accordingly. That is one of the very things we object to in this section of the country.

#### TREAT THE ROADS AS NATIONAL BANKS ARE TREATED.

Senator PLATT. Although it is a little outside the scope of this inquiry, we would like to know what you would have the Government do in that respect.

Mr. ROSEWATER. I would treat them exactly the same as you treat the national banks. The national banks are more or less under the protection of Congress, and under a charter they have been endowed with the right to issue money and to conduct their business. If a national bank should find its assets had been materially reduced by dishonest employes—its cashiers or tellers, or what not—and it was discovered that that bank could not meet its obligations, what would Congress do for it? Would it enact a law that would extend its debt or liabilities, and request the patrons to make up the interest and the principal? Or would it wind up that bank and say the directors should make good whatever amount of deficit there was in the assets in order to meet the liabilities? Here is a case almost parallel. You have a company that has been robbed, and everybody will admit it. Mr. Adams will admit

that millions upon millions of money were charged to the company by the *Crédit Mobilier*, which money was not properly expended. The road has been fraudulently bonded for an enormous sum of money. Stocks have been issued to the extent of millions upon millions of dollars, and not 10 cents on the dollar paid in. What is to be done with that corporation? The way I would do would be to let it alone or wind it up, one of two things. Let it meet its obligations as any other debtor would have to meet its obligations, or else say to the stockholders, "If you have only paid in 10 cents on the dollar, put in 90 cents more and that will meet the Government bonds, and then you can own the road and go and operate it. If not, the road will probably be sold to the highest bidder."

SELL OUT THE ROADS AND BEGIN ANEW.

But you will say that Congress is a fiduciary agent for the people of the United States. Here is a large bonded debt. I say if that hundred millions is to be paid to the widows, and Mr. Charles Francis Adams, and all the other people, who have an interest in the road, I should not object to having the bonds funded for 60 years. But you expect simply to do this: You say to the people of this whole country, who are the patrons of the road, that you are going for the next 60 years to tax them on the imaginary cost of this railroad, and make them pay the interest and the principal in taxes to that corporation. Where do the people get it? The people of the United States do not get it from the railroad, but they get it from the other people of the United States, and they are no better off. Would it not be a great deal safer not to rob the next three generations with a continuous extravagant tax? If we admit for one moment that this railroad company owes all this money legitimately, it ought to be earning enough to pay legitimate interest on its debt and a reasonable interest on its stock. If so, it would be everlastingly kept up, and every railroad running to the Pacific coast will pool with it. There will always be uniform rates. I do not regard pooling in the abstract, if properly regulated by Congress, as a calamity at all, although pooling in the manner it is now conducted is a very bad thing.

Senator PLATT. Your idea is that if the Government recognizes the present bonded debt of the Union Pacific Railroad, the result will be that this whole Western community which does business with the railroad will have to pay about two and a half or three times as much in the way of freight and passenger rates as they ought to?

Mr. ROSEWATER. Precisely. If that road were sold to-day for what it is worth, or for whatever it might be built or paralleled for, and a new beginning were to be made, from that moment on the community would have rates that would give the road a reasonable income upon the investment. As it is now we are taxed on an enormous sum of money that never was expended, and on vast millions upon millions of imaginary stock that was issued simply without any equivalent. That is one reason why we out here are opposed to it. I do not know whether this theory has ever struck the Members and Senators, but everything that is done bearing upon the question has been with the idea that there has been a faithful performance of obligations since the change of administration in the road, and that the company is going to do an honest and legitimate business from now on, on the condition that this bonded obligation and all the stock is to be legitimatized by Congress. It might be a pretty honest sort of business after that if Congress will legitimatize all the millions upon millions that have been fraudulently piled on to us.

## A COMMISSION NOT THE REMEDY.

My idea with regard to a commission has been expressed briefly. I stated that I did not believe it was necessary. I do not believe anything is to be gained by it. On the contrary, I think the commission would only cause a delay of what has to come in the long run. The Bureau of Railways is a very necessary thing at Washington. The head of that Bureau can do exactly as much business in the matter of inquiry, and of getting the statistics, and of getting returns from the different railroads, and of notifying them as to complaints, if such a thing should come to him, as nine men could do. A commission of seven, or nine, or five, or fifteen would be no better. No commission of nine men could possibly regulate the railroads of America, if you are going to allow them all to have a hearing of the complaints. There are 130,000 miles of railroad, and there would probably be 130,000 people complaining to the commissioners from different sections of the country about different things. Some of those complaints might be very trivial and some might be important.

## THE COMMISSION SCHEME A PROCRASTINATING DEVICE.

I think the commissioner scheme is simply a device to procrastinate. For instance, the Tariff Commission is something of the same sort. They might just as well have met the question. If Congress is competent to regulate the tariff, which is a very intricate thing, why is not Congress competent, by a very few simple rules, to establish regulations for the railroads, leaving the complaints of the parties in their respective localities to the courts in their respective localities, with proper authority to the district attorneys everywhere to prosecute? I have read quite a number of the commissioner bills, and most all of them simply attempt this, which is about on the plan of the Iowa commission: A committee of inquiry to ascertain what the people of this country need in the matter of railway regulation, which is to report from time to time to Congress what, in their opinion, would be desirable, and which is also to hear complaints from time to time, and to communicate those complaints to the railroad. If the railroads are willing to recede from any arbitrary rule or arbitrary exaction, well and good; and if not, the commission is powerless. If a commission could be constituted as the English commission is; if you could, under our system of government, transfer to it quasi-judicial power, so that they could not only investigate a complaint but arbitrate it and enforce their dictum without any further reference to anybody, it would be a very desirable institution.

Senator PLATT. Congress could do that; but in order to do it Congress would have to create judges with life tenures.

## A RAILWAY COURT.

Mr. ROSEWATER. Yes, sir; very likely we will have to come to that, any way, some time in the future.

Senator PLATT. That is the only thing that stands in the way of doing as you suggest.

Mr. ROSEWATER. There might be a railway court constituted, just as the Court of Claims has been constituted.

Senator PLATT. Congress could make a railway court, with power to enforce its decisions the same as any other court. The only objection

to that is that under the Constitution the judges would have to be appointed for life.

Mr. ROSEWATER. I see no objection to that. Of course we know very well that the influences bearing upon the appointment of the judges might be very peculiar. But it is the same machinery that meets us at every step, and probably a man once appointed for life would be more likely to act independently than he would if he were simply dependent upon a reappointment or upon a tenure that was uncertain.

Senator PLATT. A good many men advocate that disposition of the question. Mr. Simon Sterne, of New York, who has given a great deal of thought to this question, advocates a railway court.

Mr. ROSEWATER. I have read some of his books, and have also, of course, followed the doings of the New York board of transportation on these questions. They have reached the conclusion there that a railway commission would have a great deal of beneficial effect, and they have created one.

The CHAIRMAN. They only go so far as to insist that the commission ought to have power to look into the complaint or dispute that may arise between the transportation company and a shipper or business man, and that it may make a finding, and that that finding shall be *prima facie* evidence of its correctness in court. They say they want the law to go that far and no farther.

#### REASONS FOR OPPOSING A RAILWAY COMMISSION.

Mr. ROSEWATER. My original idea was this: I was in favor of the commission, or thought that if a commission elected by the people could be established in the different States it would be one of the ways of remedying the difficulty. But when the California commission, which is a constitutional body, created by the constitution, came into power, I found that the legislature, through this very clause, had rendered itself entirely powerless to regulate, and it put all the powers of the State into the hands of these three men. When I found that the railroads then dropped the manipulation of the legislature and went into the conventions and nominated and helped to elect two out of the three, I concluded that was a more dangerous thing than even to leave the matter alone and let the legislature exercise its power from time to time, because when these things are on the statute-books it is very hard to repeal them. Even this little Doane law that we have here in this State would be very difficult to repeal, though they might go and defeat forty railroad bills that were good. If Congress should once create this commission, with nothing more definite for it to do than to make inquiry and to employ a large number of clerks to keep records of all the transactions of all the railroads, it would simply supplement the work that is already being done by the Railroad Bureau in Washington, and it would accomplish no other good except to put off the day we have all got to meet at some time; and that is, when the railway interest will be placed under proper governmental control.

#### WHEREIN A COMMISSION MIGHT BE USEFUL.

The CHAIRMAN. I suppose no one scarcely, who is now in favor of anything being done, is seeking to provide for the appointment of a commission without vesting it with some sort of power, and without passing a law restricting the operation of railroads within the limits of what is right between the railroads and the people, just as far as can

be gone with safety to the business interests of the country. What would you think if Congress were to pass a law either prohibiting or regulating pooling, and prohibiting the payment of drawbacks and rebates, and requiring the publication of rates, and legislating in whatever way might be deemed safest on the question of the long and short haul, or providing that a uniform classification of freight should be made? With all those provisions put into a statute in terms, what would you think about the propriety of appointing a commission, or some special tribunal, and giving it as much power as can be given to it under the Constitution, putting the execution and enforcement of this law into their hands, without making the members of that special tribunal life judges? Would you or not think that would be of any use?

Mr. ROSEWATER. Yes, sir; that would be of some use. That certainly would be a little better than nothing. The publicity of rates, and the prohibition of drawbacks and rebates, and the prohibition of pooling, or its regulation by law under proper restrictions, would be a very important step forward towards solving the final problem.

The CHAIRMAN. You do not know whether the commission would be of any particular use in enforcing the law?

Mr. ROSEWATER. I do not know, but I hardly believe it would tend to do anything more than simply to take the first step, and leave to the future the agitation of amendments and changes.

The CHAIRMAN. How much further would you go in the law itself, leaving the commission out?

#### A BUREAU FOR RECORDING BONDS AND STOCKS.

Mr. ROSEWATER. If I went further in the law I should say, as I said before, that I would, if possible, in the first place create some office or national bureau where stocks and bonds should be recorded for every railroad company. That is, a restrictive law with regard to the construction of railroads, and, if necessary, severe penalties for the over-issuance of stocks. That would be the first step to take, in my opinion. Then it seems to me there ought to be a general proviso prohibiting railroad managers from being in any other business connected with the transportation of traffic except the common-carrier business. Of course it is a very difficult thing to prohibit a man from investing his money wherever he pleases. But it seems to me very improper, and that it is one of the chief causes of complaint here, that railroad managers are interested in the grain and in the coal traffic, and in many other enterprises outside of the railroad business, in which lines of business they become dangerous competitors to other private enterprises.

#### PROHIBIT RAILROAD MEN FROM ENGAGING IN OTHER BUSINESS.

They have the power to give better facilities to their own enterprises or to their own concerns, and in every way to favor themselves to the detriment of others. I should do away with all these vast freight lines, prohibiting them entirely. I think Congress could do that. Congress could provide that no director or officer of the railroad company, while such, should be interested in any business that has any relation to his company in the transportation of traffic. That might be cutting out about two-thirds of all the directors, and I don't know where we would find the others; but I think that will be a final necessity unless the Government will take the entire control of railroads.

The CHAIRMAN. Would you be in favor of that?

## GOVERNMENTAL CONTROL OR OWNERSHIP ADVOCATED.

Mr. ROSEWATER. I am in favor now of the telegraph being controlled entirely by the Government, and I have been in favor of it for twenty years. I think the land-grant railroads some day, sooner or later, will become Government property, or that the Government will, directly or indirectly, control them, either by having companies operated under the Government control, or under Government rules and regulations, or by direct ownership. There is no use in trying that experiment at this date, because it would be so difficult to accomplish. The establishment of a few simple regulations could be had now by Congress. The purchase of the railroads is a pretty large contract, and it might take fifty years before we could come to that. But when the Government some day restricts the number of railroads that are to be built, and establishes these railroads as highways for the people, there will be an end to railroad speculations and to the present system.

The CHAIRMAN. Under the Constitution of the country at present, your State can charter a road whenever it pleases, inside of its own corporate limits, and my State can do the same, and so can Iowa, which lies between our States. What is the Government of the United States to do with that subject?

Mr. ROSEWATER. That is very true. But, as I said before, if the Government will treat all railroads as a continuous line, more or less, there could be some specific requirement of all railroads which no State could grant without permission from the National Government. If that were done, there would eventually come a time when the Government could say whether a railroad should be built from one place to another where another railroad already existed, and where no competition would be of any particular benefit to the people because it could not last. It would be followed by pooling and combination.

## STATE AND NATIONAL QUESTIONS.

Senator HARRIS. Do you think the Federal Government could prohibit the State from chartering or building a railroad wherever it chose to build it within the territorial limits of that State?

Mr. ROSEWATER. The question is, how wide is the boundary?

Senator HARRIS. I suppose the territorial limits of Kansas are pretty well defined.

Mr. ROSEWATER. There is such a very fine line between the boundaries of two States that I say we will finally get to the point I suggest, and there will be a limit to all this State talk. We will get to the point where the Government will assume that the telegraphs and railroads are continuous and interstate from their very nature and inception, because you can and you do carry engines and cars and merchandise continually from one road to another all over the country.

Senator PLATT. Suppose the Government should say that no railroad should engage in interstate traffic until it had first satisfied the commissioner of railroads that its road had been built without any improper issuing of stock or bonds, and that it had not been capitalized for more than its stock cost; could you in that way reach the difficulty?

## IF NECESSARY, ALTER OR AMEND THE CONSTITUTION.

Mr. ROSEWATER. I think you could; and I think some day we will reach some of these matters. You see, when the Constitution of the

United States was framed there were no railroads and no steamboats and no telegraphs, and the makers of the Constitution had no idea about these State lines, they being only imaginary points; and there might be such a thing as Congress stepping in and saying, "You cannot do anything with reference to State commerce without getting first the permission of the Government." Banks do not issue or coin money. Why cannot Congress control and regulate the railroads?

Senator PLATT. You think it would not be a very much larger stretch of the imagination to go that far than has been the case with some things that have already been done?

Mr. ROSEWATER. I think not. If it comes to the worst, we have the right to alter or amend our Constitution. This is not a Chinese wall. We ought to have ability enough to expand with the great inventions of the age. I do not believe this railroad problem will be solved until the railroads are regarded as public highways, and until the number of railroads will be restricted to the wants of the people.

The CHAIRMAN. Some governmental authority, you think, must pass upon the question of whether or not railroads should be built?

Mr. ROSEWATER. This building of a railroad for speculative purposes, and then afterwards wrecking it and saying to the people they must continue to maintain two railroads when one would have done, is as wrong as to say that the people on the Union Pacific shall continue to pay interest on all the money that the credit mobilier pocketed.

The committee at 10 o'clock p. m. adjourned until 9.30 a. m., June 23, 1885.

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OMAHA, *June 23, 1885.*

The committee met at 9.30 a. m., pursuant to adjournment.

### CASPER E. YOST'S STATEMENT.

CASPER E. YOST, publisher of the Daily Republican, appeared.

The CHAIRMAN. What is your special business here?

Mr. YOST. I am publishing the Daily Republican.

The CHAIRMAN. You have been listening to what has been going on here in reference to this investigation of the question of interstate commerce. Have you any suggestions which you would like to make to the committee?

### A PERSONAL EXPLANATION.

Mr. YOST. I simply wanted to make a statement to put myself right on the record in reference to a statement made last evening by Mr. Rosewater before your committee. He stated that in an early day a man had taken a contract for transportation across the bridge at 12½ and 13 cents, and latterly he had brought George L. Miller and Casper E. Yost into partnership with him, and the firm by gradations raised the tariff to 15 cents, and ultimately to as high as 25 cents. This was denominated a fraud upon the public and the railroad company. I want to say that I never had any interest in any such contract, and that the whole thing must have originated in Mr. Rosewater's brain.

The CHAIRMAN. That is a matter that is personal between you and him.

Mr. YOST. Not entirely so, because he said I was a partner in the



contract. It is not fair that that should be put on the record, when I was not a partner.

The CHAIRMAN. Are there any suggestions which you feel like making in reference to the general subject under investigation? What do you think about the condition of affairs here? Are the people complaining against the transportation companies?

Mr. YOST. I suppose it is the same here as in all communities.

The CHAIRMAN. Is it the general feeling here that the people are being uniformly treated by the railroad companies that come into your State?

Mr. YOST. I do not believe that is the general feeling, no, sir. Of course there are some cases where individuals think they are not fairly treated, and they make complaints; but I suppose the railroads do the same as individuals would. They get what they can for their services. That is a matter to which I have not given any special attention. I would not have appeared before you, or have taken any of your time, if it had not been for the purpose of putting myself right on the record.

#### CHARLES H. GERE'S STATEMENT.

CHARLES H. GERE, one of the secretaries of the Nebraska railroad commission, appeared and said:

My official position is that of one of the secretaries of the railroad commission. The law went into operation on the 6th of this month, and my appointment was made on the 8th.

The CHAIRMAN. As such secretary, you are performing the duties of a commissioner, are you?

Mr. GERE. The law says the secretaries may perform any of the duties assigned to the members of the board, with the exception of making a final determination on questions where an issue is raised between a railroad and a complaining party.

#### DECISIONS MADE BY THE BOARD.

The CHAIRMAN. Who makes that decision?

Mr. GERE. The board of commissioners.

The CHAIRMAN. The commissioners proper?

Mr. GERE. Yes, sir. They consist of the attorney-general, the secretary of state, and the auditor.

The CHAIRMAN. Have you been interested in this subject, and have you been connected with it long enough to be able to tell us exactly what the railroad law of your State is?

Mr. GERE. Yes, sir; I have edited a daily paper for a good many years at Lincoln, the capital. I am the editor of the Nebraska State Journal, and of course have had more or less to do with the political part of this railroad business. I have thought of it and made it an occasional study.

#### HISTORY OF NEBRASKA RAILROAD LEGISLATION.

The principal special law in regard to the railroads differs, perhaps, from the law of any other State. It is the law which has been already described as the Doane law. That was intended to be under the constitution, which says the legislature shall enact laws to prevent unjust discrimination and extortion. That was its purpose. It, however,

made no special provision for the enforcement of the law, except that the parties might go into court. It became evident, after the law had been in operation a year or two—it has been in operation since 1881—that it was not much of a relief, for the reason that the individual injured by the railroad generally suffered only a few dollars. He might have a just cause of complaint, but it would not pay him to hire a lawyer and go into court. In case he got a judgment the case would probably be appealed and a man would be worn out.

For that reason a feeling has been growing up in the State for some time in favor of further remedy. That is, for the establishment of some sort of authority that would relieve the individual complainant, the man who suffers injustice from the hands of the railroad, from the necessity of himself making all the fight. Two years ago last winter a large number of bills were introduced into the legislature. The bill which seemed to have the preference of the best men in both houses, I think, and probably a majority of both houses, was the commission bill, which was drawn after the model of the Iowa law. That particular bill had also some of the provisions of the Illinois law, making it a little more elaborate perhaps than the Iowa law, but at the same time omitting a clause which gives the commissioners the power to fix rates. That bill was under discussion in the legislature, and the question of its constitutionality came up, for the reason that the State constitution prohibited the creation of any executive State officers in addition to those named in the constitution itself. The question arose as to whether a commission of this kind—an advisory commission, a commission which had powers simply to investigate and report—would be an executive office. The legislature agreed, or the house of representatives agreed, to submit this bill to the supreme court and ask for an opinion. The judges of the supreme court gave an opinion that it would be unconstitutional. Indeed the constitution said that any executive duties, any further executive power that might become necessary, should be devolved upon the State officers already in existence, and that it would be constitutional to give some State officers the powers which were sought to be conferred upon this commission. The legislature got into a wrangle. What was called an anti-monopoly party, which was a third party, at that time had the balance of power in one of the houses, and they succeeded in organizing it. None of them agreed upon any one bill, and the consequence was that no bill was finally passed at that legislature.

The CHAIRMAN. That was two years ago?

Mr. GERE. Two years ago. Last winter quite a number of bills were introduced, although not so many as before. One bill was introduced which undertook to make a scale of rates, cutting down the rates now in force from 40 to 60 per cent., according to my recollection. I am not sure of that, however; it made quite a long and complex schedule of rates. It was impossible for the originators of the bill to explain in any instance why such cuts should be made. It was simply on the plan, apparently, of our friend Morrison's recent tariff bill. It just made a cut all along the line, and let it go for luck. But this bill had few advocates after the matter was discussed. Finally the present bill was passed.

#### THE COMMISSION BILL.

Under this commission bill there is a maximum and minimum rate. That maximum rate was established by the law of 1881, which is called the "Doane law," to be the rate which was in force in this State on the

1st of November, 1880. Of course nothing but local business could be governed by that law. The schedules then were lower than they had been at any time before. Under that law the commission recognized, or it will have to recognize, that schedule as the maximum rate.

The present law is almost substantially the law in force in Iowa. There is one provision of the Iowa law which was omitted, which provides for the complaint of the mayor and city council, or of the board of trustees of a city or town, on account of discrimination against that place. In Iowa, as I understand it, the commissioners do not inquire into a complaint of that kind unless it is made officially, or by twenty citizens who certify that the mayor and city council have refused to make the complaint. Under our law, as I understand it, any individual can make that complaint. He can make complaint as well for discrimination against a place as for discrimination against a person.

Senator PLATT. That is not expressed in terms in the law, is it?

Mr. GERE. No, sir; it follows, I think, from the fact that for any infraction of the law, or of any part of the railroad law—and I suppose of the common law as well—it is made the duty of the commissioners to investigate and report. In addition to this investigation and report, in case a question of law is at issue, and the railroad companies refuse to accept the opinion of the commissioners as final and to submit to their award, the commissioners are to put it into the hands of the governor, who gives it to the attorney-general for the purpose of bringing a suit in the name of the State. That relieves the party of the burden of fighting the issue.

The CHAIRMAN. What is the fact in relation to the enforcement of the old "Doane law," as it is called?

Mr. GERE. It is difficult to say. I do not remember any case that was ever brought before a court of law. I think there has been no test case brought, and no adjudication.

The CHAIRMAN. Was that law of any effect? Did the railroads pay any attention to it?

Mr. GERE. Yes, sir; I think they did. At least they paid this attention to it: They always answered people, so far as I know, when they wanted special rates and rebates, that they could not give them. It is claimed now that some people do get special rates and rebates. But that matter never has been officially investigated. In fact, the legislature intended to investigate that subject, and it appointed a committee for that purpose two years ago; but nobody has shown that the railroads have actually disobeyed the law. Still, the investigation was a hurried one, and it might have failed on that account.

Senator PLATT. If the railroad companies have failed to live up to that law (and it is asserted here that that is the fact), why is it, with the feeling existing in this State with reference to railroads, that somebody has not instituted a suit?

Mr. GERE. I do not know. There is, of course, a reason why an individual should not prosecute a suit, and that is that it is very expensive.

The CHAIRMAN. There is this feeling also, is there not, that if an individual got into a suit over a controversy with a railroad, he would be injured by the railroad as to his trade?

Mr. GERE. I suppose there is a fear of that kind. I suppose that is always a fear which the weak have of the strong, and it is natural. But whether there has been any action on the part of the railroads to justify that fear I do not know. I never heard of it.

The CHAIRMAN. You have not actually got to work under your authority yet?

Mr. GERE. No, sir; not yet.

The CHAIRMAN. You have given us the history of legislation, and the state of things existing under it. Do you think, as the law now stands, that it will be of any public utility?

Mr. GERE. We think so from the fact that in other States where the same uneasy feeling, and the same political agitation has occurred that we have in this State, after the passage of a law similar to this, the public feeling seemed to quiet down, and there seemed to be a great deal better understanding between the railroads and the people. That we believe to have been the case in Iowa and Illinois.

#### DUTIES OF RAILROAD COMMISSION OF NEBRASKA.

The CHAIRMAN. What do you think are your duties under this last law?

Mr. GERE. We regard our duty to be to listen to every complaint made of a violation of the law by the railroads.

The CHAIRMAN. And to investigate all the facts and report to the State officers under whose appointment you are now acting?

Mr. GERE. Yes, sir.

The CHAIRMAN. It is then for them to determine whether there shall be prosecution?

Mr. GERE. Yes, sir.

#### A NATIONAL COMMISSION.

The CHAIRMAN. What is the feeling in the State, so far as you know, with regard to what action Congress should take upon the subject of regulating interstate commerce?

Mr. GERE. It has always seemed to me that the feeling in the State has been gradually crystallizing in favor of a national commission.

The CHAIRMAN. With what powers?

Mr. GERE. With powers at least similar to the powers possessed by the Iowa and Nebraska commissions with regard to interstate commerce. The question has not been much discussed as to whether there should be a court, such as was mentioned last night, with plenary powers, in the settlement of all cases; but I see no reason why that should not be the case if it were constitutional.

#### PUBLICITY OF RATES AND NOTICE OF CHANGE.

The CHAIRMAN. What, in your judgment, ought to be the character of the law outside of the creation of the commission, if one is to be had?

Mr. GERE. I think the law should require a publication of schedules, and at least a notice before a raise in the rates. Of course it would be awkward, I should think, if a railroad had concluded to lower its rates to make it give any very extended notice of that fact. It would stop its business for a time.

The CHAIRMAN. It would not stop the business, but it would stop giving the benefit to the people of the lower rate, you mean?

Mr. GERE. Yes, sir; but I think a notice should be given of a change of rates.

Senator PLATT. Do you suppose a railroad company can discuss and settle the policy of lowering its rates to take effect in a fortnight or three weeks without that fact getting out through some of its officers or

employés to certain individuals so that they would have the advantage of it when the rates were really reduced?

Mr. GERE. It might be. Of course there are difficulties in it. There will always be difficulties in attempts to regulate business. There are innumerable difficulties in that respect; but the only way is to take the course by which the work will hurt as little as possible.

#### LENGTH OF NOTICE OF CHANGE.

Senator HARRIS. About what notice do you think should be given of any intended change of rates?

Mr. GERE. I should think at least ten or fifteen days' notice, or perhaps thirty. A great many think that at least thirty days' notice should be given. That is a pretty long notice, and it might cause a great rush of business if rates were to be raised, and a great falling off of business if rates were to be lowered.

Senator PLATT. If the rates were to be lowered seriously the people would wait and allow business to be at a standstill, to a certain extent, would they not?

Mr. GERE. Yes, sir. I think the time ought not to be too long or too short. What the exact time ought to be is hard to tell.

#### POOLING.

In case these publications of schedules were made it seems to me the question of pooling, which I notice you have discussed here, would not be a paramount question, because the object of pooling would be pretty much effected by the schedules, especially if they were to be submitted to the commission before adoption, which I think ought to be the case. The commission should be required to say whether or not the rates were extortionate or whether there was any unjust discrimination between places or persons. In that case I do not see why the companies should pool. In the absence of any legislation on the subject regulating it, pooling has seemed to be necessary for the protection of the railroads against piratical raids made against each other. I do not think it would be just to abolish pooling unless Congress substitutes something in the place of it providing for the stability of rates.

The CHAIRMAN. You think there should be some control so as to prevent cutting and changing rates?

Mr. GERE. Yes, sir.

Senator PLATT. Has there ever been any serious competition in this country which resulted in the cutting of rates?

Mr. GERE. Yes, sir; rates have been cut, especially from the Missouri River to Chicago. There has never been very much cutting on local rates.

Senator PLATT. Because each road has its field?

#### THE LONG AND SHORT HAUL.

Mr. GERE. Yes, sir; each road has its field. There has been this disadvantage in our Doane law, which says that that kind of a law to prevent, for instance, the charging of a greater price for a short haul than for a long haul may work to the disadvantage of the State. Here are roads coming into the State and crossing at various points, and having various points in common in other States. Here is a distributing point at Omaha, and another, say, at Lincoln. The rates are sched-

uled. But a road that came from Saint Joseph, for instance, to some point in Western Nebraska, may begin to cut those rates from Saint Joseph. The Burlington and Missouri River road, for instance, which comes from Council Bluffs, can cut from Council Bluffs to beat that cut from Saint Joseph.

Senator PLATT. Do you mean east or west from Council Bluffs and Saint Joseph?

Mr. GERE. West. This is a road leading from a point outside of the State to a given point, where cutting is liable to be indulged in inside of the State. The two roads begin to cut. They cannot cut on Omaha business or on Lincoln business. They can cut on Council Bluffs business and Saint Joseph business, and, consequently, run the Nebraska jobbers out of the market. That was the obnoxious feature of the Doane law.

Senator HARRIS. Why can they not cut over that part of the road?

Mr. GERE. Because if they cut at these two points where the two roads cross, they have to cut at all other points in the State, clear back to the river.

Senator HARRIS. It is the law of competition that prevents them from cutting at the points you suggest?

Mr. GERE. That is what makes them cut. Council Bluffs and Saint Joseph are two competing points out of the State for jobbing business. Omaha and Lincoln are two competing points in the State for jobbing business. They all have connections with a certain point where the two roads meet—the Saint Joseph and Denver, for instance, and the Burlington and Missouri River. Then they commence cutting for business at that point from Saint Joseph and Council Bluffs.

Senator HARRIS. Do you hold that the "Doane law" governs inside the State in respect to a shipment that comes from beyond the limits of a State, or that starts here and goes beyond the limits of the State?

Mr. GERE. No, sir; that is the trouble. There is where the law is weak. It prevents these railroads cutting on freights from Omaha to, say, Red Cloud. That is a common point. Some points common to these two roads do not strike me now.

Senator HARRIS. Do you mean in another State?

Mr. GERE. In this State. They cannot get below their rates without lowering all their rates on the intermediate points, because they cannot charge any more for a short haul than for a longer haul. But they can cut from outside the State. Consequently it gives the jobber outside the State an advantage at this common point not possessed by the jobber in the State. The law is obnoxious on that account.

The CHAIRMAN. You cannot, as commissioners, reach it?

Mr. GERE. No, sir; we cannot reach it.

The CHAIRMAN. And the law cannot reach it?

Mr. GERE. No, sir; the law cannot reach it.

Senator HARRIS. Would a remedy be found for that evil in enacting by Congress the same prohibition?

Mr. GERE. Oh, yes.

Senator HARRIS. That would cover all points equally, interstate and State?

Mr. GERE. Yes, sir. I believe one of the questions asked in your circular is whether a railroad company should ever be permitted to charge more for a short than for a long haul.

Senator HARRIS. That is a question we frequently ask. We have been in the habit of asking the question as to the propriety of prohibiting a transportation company from charging more in the aggregate for

a short than for a long haul over the same line of road and going in the same direction.

Mr. GERE. It probably, as a general thing, would be a pretty safe rule, although I suppose the real rule is that the charge should be in proportion to the cost and value of the service rendered; and if it actually costs a railroad company more, including the terminal charges, for hauling a train a shorter distance than for a longer distance it ought to charge it, in justice. Every transaction ought to pay its own cost. Of course there are not a very great number of those cases liable to arise.

Senator HARRIS. Cases are very few and exceptional, are they not, where it costs more for a short than for a long haul?

#### SEPARATE TERMINAL AND HAUL CHARGES.

Mr. GERE. Yes, sir; very exceptional. It only occurs, I think, where there is a point with large terminal facilities, and another smaller point near to it with no such facilities, at which it would be very inconvenient to make up a train or to stop to switch off a car. But where there is any considerable difference in the distance I do not think there would be any objection to that provision. The cost of what they call the fixed terminal charges, and the cost of hauling per mile should certainly be taken together and divided by the distance.

Senator HARRIS. Do you think it would be wise to keep the account of terminal charges separate from the carrying charges?

Mr. GERE. In the State of Kansas, for instance, they have made some such provision. In Kansas the commission have in certain cases power to reduce rates. I think they do take that into consideration, and that the railroads do report the cost of the fixed terminal charges.

Senator HARRIS. What do you think of the wisdom of such a policy?

Mr. GERE. I think that while it might not be practicable to make an exact report of all these things they ought to be taken into consideration in making schedules. I think it would be fatal to the country if anything like a so-much per-mile system were adopted for business on long hauls.

#### HOW AND BY WHOM SCHEDULES SHOULD BE MADE.

Senator PLATT. How do you think schedules ought to be fixed, and by whom do you think they should be made?

Mr. GERE. I think the schedules should be made by the railroad company, and, in case of Congressional regulation, they should be made with the knowledge and assistance of the commission. That is, the commission should be consulted and should say whether those schedules had anything in them that was extortionate or in the nature of unjust discrimination.

Senator HARRIS. Would you require that the schedules should not take effect until approved by the commission?

Mr. GERE. I think that would be better probably. There should be some power somewhere, whether it should be in a commission or in a court I do not say, to decide in the case of a schedule whether there was any extortion, or whether there was any unjust discrimination. In no other way can the Government regulate it.

Senator HARRIS. Would you lodge with that commission or tribunal the power to disapprove and thereby annul the rates fixed by the railroad company even where there was no discrimination, but upon the

general ground that the schedule was too high and that it ought to have been lower all along the line?

Mr. GERE. I think some such power must be lodged somewhere or there would be no regulation. There must be some ultimate power in the Government to decide upon the justice of a schedule.

#### BASIS OF RATE MAKING.

Senator HARRIS. In your opinion what are the considerations that should control the fixing of rates?

Mr. GERE. The actual value; by which I mean, not the original cost, but the present cost of building a railroad to-day. The price of labor and the interest on money should be taken into consideration.

The CHAIRMAN. And the current expenses generally?

Mr. GERE. The current expenses, of course; and there must be a wide margin left for blunders, as in all business. I mean the blunders of the employés.

The CHAIRMAN. And accidents?

Mr. GERE. Accidents, yes, sir.

Senator HARRIS. Would not the bulk and weight of the article shipped have a good deal to do with the rates fixed upon it?

Mr. GERE. Certainly; there must be classifications.

#### UNIFORM CLASSIFICATION.

Senator HARRIS. Upon the subject of classifications, do you think it would be wise and safe to the business of the country to require by law a uniform classification throughout the United States?

Mr. GERE. I have not investigated that matter; but to speak without investigation, I see no reason why they should not be uniform. If they were uniform, it would save a good deal of trouble and complaining. I do not know why there should be different classes in different latitudes and longitudes.

#### UNIFORM BILLS OF LADING.

Senator HARRIS. What is your opinion as to the propriety of requiring uniform bills of lading?

Mr. GERE. I think uniformity exceedingly desirable; uniformity in making accounts, and uniformity in making bills of lading. That is, for the information of the customer, so that he will know what it means.

The CHAIRMAN. So that he will know what he is doing in his transactions with the company?

Mr. GERE. Yes, sir.

#### REBATES AND DRAWBACKS.

The CHAIRMAN. What is the condition of affairs in the State with reference to the payment by railroads of rebates and drawbacks, either secretly or otherwise?

Mr. GERE. The business men generally say "No." I have asked them about it. They say they cannot get any rebates and drawbacks; yet once in a while you find a man who says some other dealer has a rebate, and he knows it. But I never heard a man say that he got them.

The CHAIRMAN. Whether they are actually paying them or not, what



is your opinion as to prohibiting the payment of all drawbacks and rebates, except for the purpose of correcting errors?

Mr. GERE. I think that would be proper. At the same time I do not want to be understood as saying that because the company charges more in proportion for hauling one car than for one hundred cars, that should be called a rebate. I think there should be a sliding scale in such cases.

#### CONCESSIONS TO LARGE SHIPPERS.

The CHAIRMAN. That is a concession to the larger shippers?

Mr. GERE. Yes, sir; that is a matter of business.

The CHAIRMAN. Do you believe he ought to have the right to that?

Mr. GERE. It should be an open rate. If a company charges one man so much for one hundred cars, every other man should have a hundred cars hauled, under the same circumstances, for the same price.

The CHAIRMAN. What should be the unit of shipment, or do you think there should not be any?

Mr. GERE. I do not think a company ought to be required to carry a hundred pounds at car-load rates.

#### THE UNIT OF TRANSPORTATION.

The CHAIRMAN. Do you or not think a car-load should be the unit, and that every man who ships a car-load should be charged the same rate, whether he ships one hundred cars or ten cars or one car.

Mr. GERE. No; I think if a railroad company knows a man is sending a hundred car-loads of any commodity every month, for instance, so that it knows just when to send its cars, and it can do that business in bunches, or trains, and can do it cheaper than it can collect a hundred cars from one hundred different customers, the man ought to have the benefit of that margin.

The CHAIRMAN. But not any more than the actual difference in cost?

Mr. GERE. That is it; he should have the benefit of just exactly the difference in cost, if there is any.

Senator HARRIS. If ten men have each a car-load at a depot, and one man has ten cars loaded at the depot, is there any difference to the railroad company in the expense of carrying those twenty cars from that depot to any other depot on the same line of road?

Mr. GERE. If those cars are loaded, and are sent under the same conditions, there is no difference, except the difference of keeping the accounts of the ten different men.

The CHAIRMAN. You think, then, that there should be no legislation fixing any unit of shipment, or preventing a greater charge for shipping one car than ten cars or one hundred cars?

Mr. GERE. I think those matters ought to be delegated to a commission of intelligent men, who can examine each case upon its own merits, where there is any conflict.

Senator HARRIS. Unless the railroad company is compelled by the absolute necessities of the case, do you not think the policy a bad one of giving advantage to the larger shipper over the smaller shipper? I mean, the man who ships fifty cars as against the man who ships one? Is not the tendency in that case to freeze out the smaller dealer, and to build up the large capitalist at the expense of the smaller dealer?

Mr. GERE. I presume that is a fact, yet I do not know how we are going to regulate business so that the smaller dealer can have the advantages of the large dealer.

Senator HARRIS. Do you not think it would be wise to so regulate it as to make the car-load the unit, and to make 1 car-load or 50 car-loads pay the same price each for going over the same line of road in the same direction?

Mr. GERE. It would be, generally, making the owner of the 50 car-loads pay more for the service than the owner of the 1 car-load. I think the law can do that kind of injustice sometimes, and that it ought to for the sake of public policy. I am not prepared to say that it ought to, however, in this case.

Senator HARRIS. In the matter of expense is there any difference, except in the single item of making out the bills of lading? In the case of the 50 car-loads perhaps one bill of lading might cover the shipment, but a way-bill accompanies every car. Is there any difference that you can see in the expense of shipping fifty cars for John Jones and fifty other cars for fifty other citizens, all starting from the same point, and all going to the same point?

Mr. GERE. No; not in the way you place it. There would probably be very little difference. But in that case the fifty men who are shipping from the same point ought to club together if they want to get the advantage. What I am speaking of is shipping 50 car-loads from one place at one time, and shipping 50 single car-loads from one place at different times, or at the same time from different places. I think, of course, the charge there would be more than for the one single shipment of 50 car-loads from one place at one time. But if 50 car-loads are to be shipped by fifty men from the same place at the same time and to the same place, the difference would be small. That, however, would hardly ever happen. I hardly think we would be called upon to legislate for just that kind of a case. The shippers, if they understood themselves, would certainly club together if they were going to send a shipment from the same place, of fifty cars, and they would get the advantage of the reduction in that way.

Senator PLATT. Have you ever been in the railroad service in any way?

Mr. GERE. No, sir.

Senator PLATT. In the political contests of your State have you been classed as a special friend of the railroads?

Mr. GERE. Sometimes; I have sometimes been fighting the railroads, and have sometimes fought with them. It was according to whom the railroads happened to support.

Senator PLATT. Do you feel in your own mind that you are free from bias in favor of the railroads?

Mr. GERE. I think so. I have no reason in the world that I know of to have any bias in favor of the railroads.

The CHAIRMAN. You are under no obligation to them?

Mr. GERE. No; I certainly have always taken great interest in the subject, and I have always considered it the greatest political question of the day.

Senator PLATT. You want to do justice between the railroads and the people?

Mr. GERE. I certainly do.

#### MAXIMUM AND MINIMUM RATES.

As to the maximum and minimum rates, I hardly think that simply passing a law establishing maximum and minimum rates would effect any good, for the reason that unless they were put so far apart as to

allow almost anything to slip through, they would squeeze some weak railroad.

The CHAIRMAN. You think practically they would not affect the rates at all?

Mr. GERE. No, sir. If made general, they would be so far apart as not to affect the rates.

Senator PLATT. I see that the "Doane law" prohibits the charging of higher rates than on the 1st of November, 1880.

Mr. GERE. Yes, sir; that makes the maximum rate for us.

Senator PLATT. Had the railroads before that time raised their rates?

#### RATES LOWERED IN GRASSHOPPER SEASON.

Mr. GERE. They may have raised their rates in this way. During grasshopper season in 1875 and 1876 the roads put down their rates to what they said was below cost, for shipping grain and cattle and other products out of the State for the sake of relieving the State from its distress. Whether it was below cost or not, of course we had to take their word for it.

Senator PLATT. When the grasshopper season was over they restored the rates, did they?

Mr. GERE. They restored the rate; they also made a 5-cent reduction on the grain rates last fall.

The CHAIRMAN. Did that afford any relief to the people?

Mr. GERE. It afforded that much relief.

Senator PLATT. The State passed a law that the roads should not charge more than they charged on a certain day in 1880. What does it amount to to pass such a law if the railroads had not previously been in the habit of raising their rates?

Mr. GERE. I suppose it was to make a maximum rate. That was more the idea. That was the lowest rate, and it was the rate that was in force at that time.

The CHAIRMAN. Are the railroads carrying freight up to the maximum that was fixed?

Mr. GERE. My impression is they are not. We have not yet received the schedules. We have sent for them, but they have not yet been received at our office, and we have had no opportunity of making comparisons. I think the rates have been generally lowered everywhere since that time.

Senator PLATT. I do not remember whether you were asked your opinion as to the propriety of legalizing pooling.

Mr. GERE. My opinion is that in case of this regulation as to open schedules, and as to requiring notice before a schedule can be changed and as to Government supervision over the schedules, the necessity for pooling would be done away with. I do not see what it would amount to after that. I think it would be unjust to prohibit pooling and not make some regulation to prevent railroads from piracies and cut-rates.

#### JABEZ BURROWS' STATEMENT.

JABEZ BURROWS, farmer, appeared.

The CHAIRMAN. Where do you reside?

Mr. BURROWS. I reside in Gage County.

The CHAIRMAN. How far is that from here?

Mr. BURROWS. About 35 miles.

The CHAIRMAN. Do you know of any wrong doings on the part of the railroad companies of the State, or of any grounds of complaint on the part of the agricultural people against the railroads? If so, please go on and tell us what they are.

#### COMPLAINTS OF FARMERS AS TO RATES.

Mr. BURROWS. I would specify in relation to rates. I have some figures here relating to rates that were in force about the time of the passage of what is known as the "Doane law." The complaints of farmers of this State arise first from rates. The impression is that rates are too high, both through and local.

#### DOMINATION OF RAILROADS IN STATE POLITICS.

There is another great source of discontent among the farmers of this State. It arises from the supposed domination of the railroads in the politics of this State. That feeling is perhaps more general among the farmers than a great many men realize. They have the feeling that their political power through their ballots is neutralized entirely by the taking possession by the railroads and the railroad interests of the legislative machinery of the State. Since I have received the letter of your clerk on Saturday, I made some minutes in relation to your questions, and, if you have no objections, I will take the list of questions and answer them.

#### EXTORTION AND UNJUST DISCRIMINATION.

Your list of questions embraces the whole subject, as a matter of fact, and is very broad. The best method of preventing the practice of extortion and unjust discriminations by corporations engaged in interstate commerce, in my opinion, is to fix the rates by law.

The CHAIRMAN. You mean, to put them in the statute?

Mr. BURROWS. To put them in the statute.

The CHAIRMAN. Do you mean a maximum and minimum rate?

#### ELEMENTS OF COST.

Mr. BURROWS. I would consider, in fixing a rate, that the element of cost in the construction of the roads should be taken into account. I would have the cost of carriage, and the wear and tear and cost of repairs, and a fair interest or return on the capital invested in the railroads taken as a basis for fixing the rates. I would establish a general basis, and unless there can be some general basis established I do not see how the subject can ever be reached.

The CHAIRMAN. Do you think that Congress, or any legislative body, would be able to take up the question of fixing the value of all the roads in the United States, one by one, and then take up the other question of making out a schedule on every article that is transported in the country?

Mr. BURROWS. I do not think Congress, or any other legislative body, could do it.

The CHAIRMAN. What would you have Congress do?

#### A NATIONAL COMMISSION AND CONGRESS OF STATE COMMISSIONERS.

Mr. BURROWS. I am in favor, and I have been growing more and more in favor, of a national commission; and I believe that that is the

general opinion of the country, and especially of the farmers. But, while that would establish a special authority over a subject which seems to be of itself a special subject and separate from almost all other subjects of law, it is necessary for some authority and power to be established to harmonize the conflicting interests and conflicting jurisdictions.

In the United States there are thirty-eight States, besides the Territories, and each of those States has a jurisdiction by itself, under the present definition. That is so under our Constitution. It seems to me that when there is a State commission in each State, with a national commission, there should be a provision by which there could be a sort of congress, not perpetually in session, perhaps, but at least annually, in which a representative from each State commission should have the right of sitting. That would come the nearest toward solving that question, perhaps, than any other scheme. I am in favor of a commission in each State, provided some scheme can be adopted by which that State commission will fairly represent the people and the interests of the State, and not exclusively represent the railroads.

The CHAIRMAN. You think there should be some general law fixing certain restrictions, and that then the balance of the question should be regulated in its details by the commission?

#### A FAIR COMPENSATION ON ACTUAL COST OF THE ROAD.

Mr. BURROWS. Yes, sir. I am in favor, as I said, of a law fixing rates based upon the cost of service. Of course that law should carry the cost of service and the cost of wear and tear and repairs; and then I believe the principle to be established should be this: That there should be a fair compensation for the actual cost of the roads. That principle should be established, and it should be of uniform application, and there should be this body to carry out and work out the details. But this body should be confined, as far as that is concerned.

Senator PLATT. About how much dividend upon the honest capital put into the construction of a road would you think reasonable and fair?

Mr. BURROWS. I would be willing to always give 10 per cent. on the actual honest cost. My business does not give me 3 per cent., but I believe the people of the country generally would agree that 10 per cent. would be a fair basis. This principle strikes out stock-watering. That is a source of great discontent, among the farmers especially—among the class of men who are reading about it, and who are gradually becoming educated about it.

#### OVERCAPITALIZATION THE GREAT EVIL.

The CHAIRMAN. You refer to overcapitalization?

Mr. BURROWS. Yes, sir. I might say that it is the greatest evil of the whole question. The control of the politics of the States and overcapitalization are the two great sources of discontent.

Senator PLATT. Whether rates were fair or not, it would be a bad thing for the railroads to have the political power of the States, would it not?

Mr. BURROWS. Very true. They have the political power in this State, however.

Senator PLATT. It is a great evil for any corporation to have the political power of the State?

Mr. BURROWS. Undoubtedly it is. In relation to stock-watering, I would like to instance one road in this State. Its builder and manager at the time testified before the legislative committee of the State that it was not paying for the grease used on its wheels. I refer to the Republican Valley road, which was built and equipped for \$12,000 a mile at the very time when the man who built it testified to that effect; and it was carrying a stock valuation of \$45,000 per mile. Of course, without a cross-examination of that gentleman, I cannot tell what he meant; but the consolidated capital stock of the Burlington and Missouri River Railroad at that time was worth \$170 in the New York market. Whether the stock of the Republican Valley road had been consolidated, I am not able to say.

Senator HARRIS. The stock valuation was nearly four times the actual cost?

Mr. BURROWS. Yes, sir; only lacking \$3,000 of being four times the actual cost of the road. Speaking of rates, I will give you gentlemen some actual samples. I am a farmer; I am not a shipper; I am not interested in this question in any way as a shipper.

The CHAIRMAN. Except as it affects the prices of what you grow.

#### A DISINTERESTED WITNESS.

Mr. BURROWS. Certainly. Of course I pay my proportion of the tax on everything which I buy and on everything I sell; but I am particularly free from the effect of this thing, as far as rates on produce going going out are concerned, for the reason that one of the branches of my business is raising thoroughbred stock, which I sell to my neighbors, and which I never ship. The stock goes from my farm to the farm of somebody else. As far as personal interests are concerned, therefore, I have never investigated this question, and have never had a wrong committed against me any more than is committed against the general public.

The CHAIRMAN. You ought, then, to be as nearly as possible a disinterested witness.

Mr. BURROWS. That is why I mention it. I believe myself to be disinterested. Here is a list showing the actual shipments of articles from different points East to this point, with the charge from this point to the point of destination West. It does not give the schedules of rates, or anything of that sort, but it gives the actual charges, taken from the receipted bills of merchants.

The CHAIRMAN. How recent is that?

Mr. BURROWS. This is for 1881 and 1882. It is the rate that was in force, and it is probably the same rate that was allowed as the maximum rate by the Doane law. The rates have not been appreciably reduced since that time.

#### REDUCTION OF 5 PER CENT. NEUTRALIZED.

I will state as to the reduction of the rate of 5 per cent. per hundred last fall that the roads gave that concession between points in this State and Chicago. At the same time they increased the rates largely in excess of that on dressed meats and all cured meats going east from Chicago, making actually a larger taxation on the people of this State than they conceded in making this lower grain rate. To Omaha from Chicago, a distance of 500 miles, the charge on a car-load to the river is \$56.25. The charge on the same car-load taken across the river here,

and without breaking bulk to Grand Island, a distance of 152 miles, I think, on the same car, is \$104.40.

Senator PLATT. That is the charge from Chicago to Omaha, and it includes the bridge charge?

Mr. BURROWS. The bridge comes into the other rates, I should say. I have a large number of charges of that sort. Here is one for half a car-load where the charge to this point was \$35. The charge from here to Grand Island was \$48.50.

The CHAIRMAN. Is Grand Island east or west of us?

Mr. BURROWS. West of us, on the Union Pacific Railroad, in our State, 152 miles from this point. From Saint Louis, Mo., the charge for a package to this point was \$2.98. From this point to Grand Island it was \$4.80. That is a distance of 500 miles as against 152 miles in the State. From Milwaukee, Wis., the charge was \$1.28, and from here to Grand Island \$2.98.

The CHAIRMAN. Are you giving shipments generally from these different points, or are these goods or packages you speak of as coming from Saint Louis and Milwaukee and Chicago billed through to Grand Island?

Mr. BURROWS. They are. These are specific packages. This information is taken from the books of a merchant at Grand Island.

Senator HARRIS. And those were through shipments?

Mr. BURROWS. They are practically through shipments; they are not broken bulk. At this time, as I understand it, and at that time, the charge from the river is considered a local charge, although in the case of the car there is no breaking bulk. From the river west it is a local charge. For the purpose of transportation these are single transactions; for the purpose of a charge on the railroad they are double transactions, the transaction being split in two right at the river. I employed an agent at Hastings, a point in the interior, at about the same distance from the river as Grand Island—it being 165 miles, as against the 152 miles to Grand Island—to get the same information from a merchant's books at Hastings, counting it from Plattsmouth. I did that simply because that was another railroad; I found almost identically the same result; I saw individual cases from Chicago, from Galesburg, from Buchanan, Mo., Kansas City, and Lincoln, in this State, and Council Bluffs and Plattsmouth; they showed identically the same results.

Senator HARRIS. Are these fair examples of the usual method of doing business at the time you speak of, or are the cases you give exceptional?

Mr. BURROWS. I believe they are fair examples; they were taken as such; there was no effort to get exceptional cases; my directions to my agent were to get simply sound information. Personally, of course, I am not, in the interest of my business, called upon to investigate this rate business; but I am informed that those rates are in existence the same as they were then.

The CHAIRMAN. Suppose a merchant in Grand Island comes and buys goods of a merchant here and has them shipped to Grand Island, in this State; what would be the charge in comparison with the charges given in your list from this point?

Mr. BURROWS. I cannot say.

The CHAIRMAN. Would they be more or less, or about the same?

Mr. BURROWS. I should not think they could be very well more. Those charges are simply enormous. I wish to call your attention to another point in relation to it, and that is that these charges east of the river

were not at all fixed by law in any way. They were charges on pool roads. They were the charges the roads themselves fixed. In relation to shipments in this State, I am inclined to think it is a matter of special contract and a matter in relation to the amount of shipment; and all that sort of thing, at present. There is no law that has hitherto been in force that controls this thing, and the roads make their own schedules entirely.

#### PUBLIC CHARACTER OF RAILROADS.

The CHAIRMAN. Without reference to anybody?

Mr. BURROWS. Yes, sir. I have something here in relation to stock watering, which I have already alluded to. I believe the public, having conceded to a certain extent powers that are inherent in the public, cannot part with the right of eminent domain. These roads have been built by a concession of this power, and they owe their existence solely to that concession. They could not have been built without that concession. I believe the roads should be considered what the projectors of the roads themselves considered when they asked for the voting of bonds, and asked for taxes—public institutions; and under the decisions of the Supreme Court they are public highways. The increased business, and the settling up of the country, instead of giving them a pretext for the revaluation of the property, and increased valuation, and increased emission of stock upon the market, in some form or other the public itself should have the benefit of.

#### REASONABLE CHARGES, BASED ON COST.

The CHAIRMAN. You do not think the roads should have the right to increase their valuation every ten years, say?

Mr. BURROWS. I do not. In the inception of these roads they were restricted to a reasonable charge on the cost. Some would say, on the value. Value and cost are very different things. The great mistake of that time was in allowing only one party, and that the interested party, to be the one who should fix the valuation. It has resulted in the enormous watering of stock which we have at the present time. Poor's Manual, I believe, fixes it at four thousand millions of dollars. I look upon it as an everincreasing, irredeemable public debt. Its only value is as based on labor.

The CHAIRMAN. In the case of a road built through your State, running over the prairie, the ties are laid down on the dirt, and it costs \$12,000 or \$15,000 a mile. After awhile, as the road improves in business and the country settles up, the road is improved by ballasting. It has been stated before us that some of the roads have cost \$5,000 or \$6,000 per mile for ballasting. You would count all those improvements in that are made from year to year, would you not?

Mr. BURROWS. I would be willing, and I think it would be no more than fair, that whatever went into construction account fairly and squarely should be capitalized.

Senator PLATT. Do you mean if the cost was taken from the earnings of the road?

#### WHAT CONSTITUTES COST.

Mr. BURROWS. I believe it is immaterial where the money comes from, if it goes fairly into construction account; if it is honestly put into construction account in the nature of permanent investments.

Senator PLATT. Let us see whether that principle holds good. Here



is a railroad that starts with a certain expenditure in the original construction. It charges rates for passenger and freight traffic which not only enables it to pay dividends on its investment, but also enables it from time to time to put large sums into construction account. That construction account is increased from the earnings of the road which have been taken from the people. Will it do to say that the road may go on in that way, and that it shall earn money on its capital thus made?

Mr. BURROWS. Under a fair system of railroad book-keeping I should say what actually and fairly belonged to honest construction should be considered as capital. We will suppose that under the present system, there being no limit as to rates, the money accruing from business would belong to stockholders, would it not? It would be private property, and could be divided up into dividends. Now, if they forego their dividends for the purpose of making construction, fairly it is as much an investment as the original capital.

Senator PLATT. If you start with the principle that the railroad should only be permitted to tax the public to a sufficient extent to pay a fair interest or dividend upon its honest expenditure in building, it seems to me that you violate that principle when you say it may charge enough to double the cost of its road, taken from its earnings, and then charge enough to pay interest on that doubled cost.

Mr. BURROWS. I do not mean to say that, exactly.

Senator PLATT. I mean that you may increase its construction account until it is twice as large as the original expenditure. The money has been put into the construction account, because the road has charged the public beyond the amount necessary to pay dividends upon its investment?

The CHAIRMAN. The presumption is that there is no other way of improving the road, except by putting in its money.

Mr. BURROWS. Is it not often possible, and is it not the fact, that owners of railroads have foregone dividends and placed money into construction?

Senator PLATT. If they have foregone dividends and placed the money in construction, I believe you are right.

Mr. BURROWS. I am simply stating what I believe to be a fair and honest principle; and in connection with it, the fact that as there has been no uniform system of accounts, and no public account, there has been allowed a large amount of fraudulent watering.

Senator HARRIS. Upon the other question it would narrow itself down at last to the question of what is construction and what is repairs?

#### UNIFORM SYSTEM OF ACCOUNTS.

Mr. BURROWS. Certainly. And there comes in the necessity for regulation by the Government, and the establishment of a uniform system of accounts, with a regulation by the Government as to how they should be kept, so that the public itself may know when the stocks of a corporation are watered and when they are not. I believe, further, in relation to regulation and a special law by Congress, that Congress should have power to prohibit the construction of parallel lines.

#### BUILDING OF PARALLEL LINES SHOULD BE PROHIBITED.

The CHAIRMAN. Did you ever think of the difficulty of Congress exercising that power because of the fact that each State has the right to

charter roads running through its territory, and that then, by consolidating, the roads get to doing an interstate-commerce business without the National Government having power over either charter?

Mr. BURROWS. I have thought of that, and I believe that is simply a question of jurisdiction. I believe the Government has jurisdiction over all interstate lines, or lines passing from one State to another. I believe, also, it is conceded that the Government may at any time declare any road to be a "post and military road," and assume jurisdiction. I do not believe, as a matter of fact, that there is a lack of jurisdiction.

The CHAIRMAN. There is not a lack of jurisdiction over these consolidated roads after they are built and get to doing such a traffic as to put it under the provision of the Constitution in relation to interstate commerce, but whether, in the first instance (unless Congress itself chartered a road, and then it is built across the country), you can say that you shall not build a road here, but you may there, is the difficulty.

#### BUT FEW RAILROADS NOT INTERSTATE.

Mr. BURROWS. I would say one thing in relation to that. The prevailing and increasing tendency to consolidation has made the building of short lines almost impossible. There are very few railroads, comparatively speaking, that are not actually interstate roads.

The CHAIRMAN. They get to be interstate roads as soon as they commence to do business?

Mr. BURROWS. Yes, sir. Take the recent consolidation effected by Huntington and Sanford; they have taken out a charter in Connecticut.

Senator PLATT. I think not in Connecticut. They may have taken a charter out somewhere else.

Mr. BURROWS. They have taken out a charter in one of the New England States, and they have also taken out a charter in Kentucky. They have placed under the control of one corporation—they themselves composing the corporation—the roads east of the river which they have an interest in. None of the roads are in the States in which they have taken out charters. Under the Kentucky charter they have made another consolidation which comprises the roads in which they have a controlling interest west of the river. By those very charters, and by the consolidation effected under them, any road which is taken into the consolidation, though it may be solely and exclusively in one State, comprises a part of the system and becomes an interstate road.

The CHAIRMAN. So it does, as quickly as it gets into that shape; but the question is, whether Congress can say that a State shall not give that charter under which the road shall be built.

Mr. BURROWS. That is in relation to the prohibition of competing lines?

The CHAIRMAN. Yes, sir.

Mr. BURROWS. I believe that power should rest somewhere. There is no question about that.

The CHAIRMAN. If Congress had the power, I agree with you. If the General Government, through some tribunal, could say that that road was unnecessary and that it ought not to be built because the business interests of the community through which it runs do not require it, it might be of some utility. But the difficulty I am suggesting is the fact that under the Constitution of the United States every State has certain rights belonging to it, and those States grant these charters to roads which finally get to doing interstate commerce through consolidations. We have to take them as we find them.

## WHERE COMBINATION IS POSSIBLE COMPETITION IS IMPOSSIBLE.

Mr. BURROWS. I concede the existence of that difficulty, but it does not alter my opinion about the necessity of that power. I believe it is a very important power. I believe that where one line is competent to do the business of a certain portion of the country that is tributary to it, the building of a competing line simply and solely adds to the taxation of that country for the same transportation. George Stephenson, the originator of railroads, seems to have had a more comprehensive and far-seeing idea in relation to it than any other man since his time. He said fifty or sixty years ago that where combination was possible competition was impossible. That is true, and it is being exhibited now. These railroads are making combinations to prevent competition. This particular combination, under the control of Huntington and Sanford, comprises nearly 6,000 miles of railroad actually under the control of two men. We talk about jurisdiction. It is really a question, supposing there was all jurisdiction, whether the Government to-day has the material power. That is a question to be tried. I do not mean the right under the law, or the jurisdiction, or anything of that kind, but has it the power to control this question?

## RAILROADS DOMINATE THE SOVEREIGNTY OF THE PEOPLE.

The CHAIRMAN. You mean that Congress may be controlled by other influences?

Mr. BURROWS. I mean that there is a power growing up in this country that to-day dominates the sovereignty of this people, and that any such power is inconsistent with the sovereignty of the people. That power to-day is threatening to absorb and to completely override the people.

The CHAIRMAN. Controlling legislation and everything else?

Mr. BURROWS. Yes, sir; there is no question about it.

## MAXIMUM AND MINIMUM RATES.

As to the fourth question in the circular, concerning "the advisability of establishing a system of maximum and minimum rates for the transportation of interstate commerce," I have answered by giving my view that there should be a rate established and the principle that should govern it.

The CHAIRMAN. But you do not think Congress should make out the schedules?

Mr. BURROWS. No, sir; I do not. I think Congress ought, by a general statute, to establish the principle, and then there should be a supervisory power.

The CHAIRMAN. Delegated to some tribunal to carry out the principle?

Mr. BURROWS. Yes, sir.

## ELEMENTS OF COST.

With reference to the fifth question, "the elements of cost, the conditions of business, and the other factors that should be considered in fixing the tariffs on interstate traffic," my reply would be that those are details in all cases the regulating of which ought to be in a commission or in some power established for that purpose.

## A NATIONAL COMMISSION.

I am decidedly and distinctly in favor, not only of a national commission, but of State commissions on the principle that I mentioned, provided State commissions can fairly represent the people. If they cannot, we are in no worse condition, we think, than we are now. I would as leave have the railroads dominate the political power of the State through a commission as through a legislature, and I am inclined to think that the demoralizing effect on the people at large would be less on account of their controlling it through a commission than through the legislature. It would not permeate the body politic to quite so large an extent.

The CHAIRMAN. It would not demoralize so many?

Mr. BURROWS. No, sir.

## REBATES AND DRAWBACKS AND UNIT OF TRANSPORTATION.

"Should any system of rebates and drawbacks be allowed? If so, should such transactions be regulated by law and be subject to official inspection or approval? Or should they be entirely prohibited?" That point was being discussed by the gentleman who was here a moment ago, Mr. Commissioner Gere. It is my opinion that no system of rebates should be allowed, and that the unit should be a car-load and a hundred pounds. The man who ships 1 car-load should have the same rate exactly as the man who ships 100, or 150, or 10, or 20 car-loads. The making of a rebate for large shipments—that is, for a large number of cars—will have this effect, and it does have this effect: In the first place, it is a very unusual thing, and it probably never occurs, that a man loads fifty cars at the same point to go in the same direction to the same destination.

## EFFECT OF CONCESSIONS TO LARGE SHIPPERS.

We will say that if a man ships fifty cars within such a time he has a rebate. I believe where rebates have been allowed that has been the principle adopted. Suppose he is buying grain, or farmers' products generally, he can himself establish a competing power that will control the business of buying grain at each station, and he can himself fix prices. He can freeze out competition in buying, for instance, and I believe that has been the practical effect of it. We will suppose one able and permanent shipper has this rebate, and he forms a partnership or takes in a succession of partners at the stations along the line, having a partner at each station, he can certainly freeze out all small shippers. He can establish his partners there, and if they will handle his and their capital, and not make a cent, he can still sit down in his headquarters and make a very nice thing out of his rebates. It would seem as though, looking at it in that view, these men might afford to pay a higher price for a product than small shippers who have no rebates.

Senator HARRIS. A higher price than the market price?

Mr. BURROWS. Yes, sir. But practically, while it might have that effect where there was competition for a short time, that effect would not continue when these men got the control of that market. They would control that market in their own interest; they would not control it charitably in the interest of some other party.

Senator HARRIS. What the shipper would make to-day he would be likely to lose hereafter?

Mr. BURROWS. Yes, sir; as far as rebates are concerned in that line, that is my view. I believe the principle is unjust. If this matter comes under law, as it should, I believe the principle which should be adopted is precisely the same that is adopted by the Post-Office. If I buy a million postal cards, or a million stamps, I must pay just the same as though I bought only one. I believe that principle should apply here.

#### THE UNITS OF TRANSPORTATION.

Senator HARRIS. You think there should be both a car-load unit and a hundred-pound unit?

Mr. BURROWS. Yes, sir; and those should be the same to all men under like circumstances. I wish to allude to another point in relation to this question of discrimination. I might allude to it in a political point of view, but I will not; it is not of so much interest; it is not an economic question certainly; but I want to allude to it as affecting the farming interest in this and all States where discrimination is practiced. The cheap long haul and the high local rate is of itself a discrimination against the agricultural interest.

#### LOCAL MANUFACTURES FOR HOME MARKETS.

What we want here and what the farmers want everywhere is labor in our community. What would cause this State to be a very wealthy and magnificent State would be to establish here the manufacture of the articles that are consumed by the agricultural population of this State. We are here as *laborers* simply, competing against ourselves. We *are* laborers. Men like myself, who work their own farms with their own hands, are competing against each other; and by a system of discrimination in freights and by the low long haul as against these very high short hauls, or local rates, as they please to call them, we are confined to the production of a few raw articles that will bear long transportation.

#### DIVERSIFIED INDUSTRIES PREVENTED BY DISCRIMINATIONS.

We cannot diversify our industries; we have no home market. The great argument of Horace Greeley in relation to the tariff used to be, when I read the Tribune twenty-five years ago, that manufacturing made a home market. That was true to a great extent. Wherever you can establish a center where there is labor employed, whether in manufacturing or in wholesale business, or anything else, if it is labor that consumes products, you establish to that extent a home market. We here are prevented from having that home market practically by this system of discrimination. The State is cheated out of the wealth it would have by the establishment of manufactures in this section of the country. I know of absolute cases where enterprises have been started here, that is, I have been so informed by the men who were the projectors, and have failed for the reason that the manufacturers of the same articles a long distance off could ship into the State and distribute the manufactured article cheaper from their point than the local center here could distribute the same goods.

Judge Parker, at Beatrice, who was for some twelve years register of the Beatrice land office, and who is a very enterprising business man, told me of this circumstance: When the Burlington and Missouri River Railroad was completed to Beatrice he, with some other parties, established the manufacture of plaster and cement at that point. They built

a factory and equipped it, and, as I understand it, manufactured a quantity of those articles. When they came to ship, and to put their goods on the market, they found that cement from Ohio could be placed here and distributed to local points cheaper than they could distribute it from Beatrice. Judge Parker said they had to shut up, and they lost their plant simply because they could not get rates that enabled them to compete. That applies to all manufactures.

Senator PLATT. There is very little manufacturing done in this State, I believe?

Mr. BURROWS. Very little. We buy everything we need. We sell a few raw products to pay for these things.

Senator PLATT. If you should get a large manufacturing interest established here you would have another problem which would bother you quite as much as the railway interest, let me assure you.

Mr. BURROWS. Possibly.

### POOLING.

Should pooling contracts and agreements between railroads doing an interstate business be permitted, or should they be entirely prohibited by law? If they should be regulated by law, would it be sufficient to require the terms of such agreements to be made public and subject to official approval?

As far as that is concerned, if a rate is established by law, pooling to prevent competition would cease of itself. Pooling as an economic arrangement is not objectionable. If railroads can make combinations by which they can do their business for less money, I do not see any objection to it.

Senator PLATT. In other words, you have no objection to pooling for a division of business, provided the rates can be kept from being extortionate?

Mr. BURROWS. The fact is, that pooling for a division of business is simply and solely one of the branches of pooling to prevent competition. That is all there is about it. There is a great effort made by these roads to get through business, and they neglect the local business. As far as our interests are concerned in this State to-day the local business is the milk in the cocoanut.

Senator PLATT. The local business is what is supporting the roads?

Mr. BURROWS. The local business is what is enabling them to compete in the way they do for this through business and to make such ruinously low rates as they frequently do make. In one year the rates between Chicago and New York fluctuated between \$2 a ton and \$38 a ton. Pooling as an economic principle is not objectionable, provided the rates were fixed by law.

The CHAIRMAN. You think if it is not a combination to keep rates too high it would probably not be objectionable?

Mr. BURROWS. I do not see where the objectionable principle would come in.

Senator PLATT. Two dollars a ton is 10 cents a hundred. That is possibly an exceptionally low rate, which has been charged sometimes on grain. But \$38 a ton is \$1.90 a hundred. They never charged \$1.90 a hundred on grain, did they?

Mr. BURROWS. I have here a very distinguished authority, if I can turn to it, in relation to that subject.

Senator PLATT. I think it must be found to be the fact that the \$38-a-ton rate was on a very different class of articles from those going by the \$2-a-ton rate.

Mr. BURROWS. There was a great competition at the time to which I allude. Here is an article written by Charles Francis Adams, jr., on the transportation tax:

CHARLES FRANCIS ADAMS, JR., ON THE TRANSPORTATION TAX.

No system can work its way out to logical results which is perpetually subject to fluctuations, and competition has ever acted on the railway system as a violent disturbing element. At one time it forces down the charges on transportation to an unnaturally low rate, only to elevate them at another time by artificial combinations to a rate as unnecessarily excessive. During the year 1869 rates between New York and Chicago fluctuated under this influence between \$5 and \$37.60 per ton, and between the same point and Saint Louis between \$7 and \$46—that is, Saint Louis and New York, while the Erie Railway carried goods to Chicago at a rate as low as \$2 per ton, and from this bounded back to \$37. In the last case a part of the transportation was by water, but rates on the same class of freights carried through by rail have ranged all the way from 4 mills to 4 cents per ton per mile, and fluctuated violently from the one point to the other.

Mr. Charles Francis Adams is one of the most prominent authorities in the country on this subject.

Senator PLATT. I think that statement of Mr. Charles Francis Adams will be found to be susceptible of some explanation. I doubt very much whether he intended it to mean that on the same products the rates fluctuated to that extent. They certainly have not done so in late years.

Mr. BURROWS. He is alluding to the effect of competition upon this transportation tax. This article is entitled "The Transportation Tax."

Senator HARRIS. It is with reference to the effect of competition on the one hand and of combination on the other?

Mr. BURROWS. Yes, sir. He says:

How much this fallacy of cheap transportation through railroad competition has cost Great Britain cannot well be estimated. During the mania of 1845-'46 it was estimated by Mr. Laing, of the board of trade, and the estimate was confirmed by Robert Stephenson, that out of 300,000,000 sterling at that time expended 70,000,000 had been completely thrown away in constructing unnecessary duplicate lines with a view to competition.

Of course that is all interesting.

Senator HARRIS. But you cannot take time to read the book through.

Mr. BURROWS. No, sir. I have alluded to keeping labor out of the country by these discriminating rates.

Senator HARRIS. I think you will hardly have time to read much from that book, as we have a large number of witnesses to be heard.

Mr. BURROWS. I will not read further. With reference to question—

SHIPPERS' RIGHT TO SELECT ROUTE.

8. Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?

That is an irrefragible right that is already secured by law. There have been recent decisions upon it. A shipper has as much right to ship his goods over the line designated by him as I have to tell a blacksmith which foot of my horse I wish him to shoe. There have been recent decisions in New York confirming that principle.

THE LONG AND SHORT HAUL.

Your 10th question is:

Should corporations engaged in interstate commerce be permitted to charge a lower proportionate rate for a long than for a short haul? Does the public interest require any legislation on that subject?

Senator PLATT. The point of that question is this: Whether they can charge a larger sum in the aggregate for a short haul than for a long haul.

The CHAIRMAN. Have you any theory you would like to advance on that question of the long and short haul?

Mr. BURROWS. No, sir; I have not. I believe as to the fixing of the principle, the establishing of the rate, that it is a question of detail which should be left largely to the special authority that ought to be created to control this subject.

Senator HARRIS. In fixing that principle do you think it would be safe to say that in no instance shall the transportation company charge more in the aggregate for a shorter haul than for a longer haul?

Mr. BURROWS. I do not know but that it would. That question covers one point that is undoubtedly very important. The railroads have the power under that arrangement to destroy or build up towns. I believe it is a power that no individual or corporation should exercise, or should have the opportunity to exercise.

#### DISCRIMINATIONS AGAINST PLACES.

Senator PLATT. Do you think that power is exercised?

Mr. BURROWS. I do. I know it is exercised. I can give a very notable case of it in my own county. I cannot say that the corporate authority in the company sanction it. I am inclined to believe that the directors of the road do not authorize it; but the men in the employ of the roads do exercise it and exercise it to the detriment of towns and to the building up of other towns in which they own private interests. There has been a town of that sort built up in my own county, and for years now the old town within a mile and a half of it has been denied a railroad station. It was through the intervention of a private corporation which was called the Lincoln Land Company. They succeeded in depriving that town of a railroad station for years. Last winter it succeeded in securing a station, but the discrimination still continues. The station is practically without a station master, and only one train a day stops there. I am informed of similar discriminations by citizens of other towns. The business of that town has been very largely injured, and this is done solely and only by a private land speculating company, because it could not get this town where they wanted a station to deed them the land. That is the whole story. It is a tyrannical and outrageous exercise of power that no individual or corporation should have under any circumstances whatever.

#### UNIFORM SYSTEM OF RATES.

The ninth question is:

By what method can a uniform system of rates for the transportation of passengers and freights by all the corporations engaged in interstate commerce be best secured?

I have given my views as far as the national commission is concerned, and it covers that point.

#### CONCESSIONS TO LARGE SHIPPERS.

11. Should any concession in rates be allowed to large shippers, except such as represent the actual difference in the expense of handling large shipments over small shipments, and should such concessions be made known to the public?

I have already answered that point. I am decidedly opposed to it.



## UNIFORM SYSTEM OF ACCOUNTS.

12. Should corporations engaged in inter-State commerce be required to adopt a uniform system of accounts?

I consider that a very important point. A long time ago—and it was only this morning that I saw this passage—Mr. Adams considered that question of uniform accounts. He says here:

The practical remedy of the abuse of stock-watering in its most objectionable shape would, after all, seem to be both obvious and easy to be secured. There has never been in America any recognized and uniform mode of keeping railroad accounts.

He alludes to the necessity for a uniform and legal method of keeping railroad accounts as a means of preventing useless and unauthorized and illegal issues of fictitious stock. I believe, further, that it is only one branch of the whole system which should have publicity. The public should have full and entire information of these things.

## DEVELOPMENT OF WATER-ROUTES.

14. In making provision for securing cheap transportation, is it or is it not important that the Government should develop and maintain a system of water-routes?

In my opinion that is another very important question. I believe fully that the Government should, as far as it can constitutionally do so, develop and maintain the water-routes. I have some figures here in relation to transportation on the Erie Canal. I will not take the trouble to read them to you.

Senator PLATT. Is that Mr. Seymour's view?

Mr. BURROWS. No, sir; Mr. Seymour's view is exactly in that line, however. Those figures simply give the amount of grain transported over the Erie Canal for one month.

Senator HARRIS. Those statistical statements we probably have from other parties.

Mr. BURROWS. The gist of the statement is this: That the canal transported to New York City, during 1884, 9,000,000 bushels more of grain than the combined trunk lines. The canal itself is now probably in a worse condition than it ever was before. The railroad people in New York secured a canal superintendent who was one of their contractors. It was a movement in their interest. The canals have been neglected, with a view of eventually destroying them.

Senator HARRIS. With a view of buying them up?

Mr. BURROWS. Yes, sir. There is no question whatever but that the maintenance of water-routes would be of immense value to this Western country, because, while it would be a very valuable thing for us to become manufacturing States, we are for a long time going to be exporting States of agricultural products. As such, the low rate to the seaboard and to foreign countries is of vast importance to us.

Senator HARRIS. Valuable not only as a means of transportation, but as a regulator of railroad transportation?

Mr. BURROWS. Yes, sir. I believe the Hennepin Canal, if it is practicable, if there is a feeder at the highest point that would make it a practicable canal, should be constructed by the General Government. It would give us water transportation from the Mississippi River to the East. Of course it would open an immense exit out of the Mississippi Valley.

## ANNUAL REPORTS TO THE GOVERNMENT.

In regard to question—

13. Is it desirable that such corporations should be required to make annual reports to the Government? If so, what information as to their earnings, expenses, and operations should such reports contain?

I reply that I believe it is. This information should be very comprehensive, and those reports should be accessible to the people. I believe in the education of the people. I believe this whole question, instead of being such an intricate, incomprehensible question, is capable of plain solution on common principles, and that the people in this country, if they are going to govern themselves, should understand it.

The CHAIRMAN. Is it not one of the most important features of the whole question that all the information possible should be placed in the hands of the masses of the people?

Mr. BURROWS. Yes, sir. I consider that the growth of this power is actually threatening the domination of the public institutions and the domination of the sovereignty of the people in this country. I am not alone in that view, as you all know. Very many men, prominent people and public men, consider this question in the same light. Education, and the thorough understanding of it, is one of the best means for counteracting the evils.

## THE UNEQUAL DISTRIBUTION OF WEALTH.

I wish to allude to one other point in connection with this whole subject. It is not covered by any question of yours, but it is a cognate subject and is important. That is, the unequal distribution of wealth arising out of this state of affairs. I believe, and I believe every man of experience and observation agrees with me, that the producers of the country, who are one class of laborers, and the laborers of the country, are the producers and creators of the wealth of the country. I believe their rewards from their labor are less to-day—I mean actually less, and not less comparatively—than they were twenty-five or thirty years ago. The actual production of wealth is largely in excess. The growth of millionaires, the common growth of very rich men all over the country, the growth of hundred millionaires, which is now taking place, and which will soon go into thousand millionaires, is one of the most deplorable signs of the times.

I want to say this in relation to my own business; I state it as a fact from my own knowledge and observation: A farmer in this State or in Iowa, with industrious habits, temperate and frugal himself, owning 160 acres of land free of debt, cannot raise an average family and support them in reasonably fair comfort and bring up his children in anything like the way of the times. I simply confine him now to the business of agriculture, without speculation. He may be temperate, frugal, and industrious; but he cannot, out of the proceeds of that farm, raise and educate a family as the times demand a family should be educated and raised. I say nothing about the luxuries, or anything of that sort. I know that to be a fact, and it is a very important and pregnant fact that should be taken into cognizance by gentlemen investigating this question.

## INFLUENCE ON PRICES OF FOREIGN MARKETS.

Senator HARRIS. Is or is not that fact more or less or entirely owing to the fact that the price of farm products depends more upon the foreign than upon any home market for those products?

Mr. BURROWS. That undoubtedly has a large influence. Still, I can state that fact. There are so many principles and points bearing upon it that it is a question for great study. I look more particularly upon one branch of it. It is a fact that in some respects farm products are cheaper. There is a great increase in production. It is said that one man can now produce what one hundred men could thirty or forty years ago, and I have no doubt that that is a fact. Almost every operation of farming can be conducted by machinery, and the farmer can cushion a seat and sit on it, if he wants to, almost all the time. There is an enormously unequal distribution of wealth. The producers of wealth, the men who make the wealth, are the laborers. I look upon land and labor as the sole source of wealth.

Senator PLATT. You leave out one source.

Mr. BURROWS. What is that?

Senator PLATT. A man's brain.

Mr. BURROWS. It is only a branch of labor. A man's brain commands wages the same as muscle.

Senator PLATT. It is the primary cause of wealth.

Mr. BURROWS. Very well, theoretically.

#### THE REMEDY.

Senator HARRIS. You seem to have thought a great deal upon these subjects. I should like to hear a brief suggestion as to your remedy for the evils which you have mentioned.

Mr. BURROWS. Stock watering, fraudulent speculation in fraudulent railroad securities, has done more to cause this unequal distribution of wealth, and to raise these mushroom millionaires, than all other things in this country. I would strike a blow at stock watering, and I would wring out the water, if possible, and prevent the doing of it hereafter.

Senator HARRIS. Ninety-nine one-hundredths of the existing corporations are State corporations. So far as the control of those corporations is concerned, does it not lie with the States rather than with the General Government?

Mr. BURROWS. It is a difficult question. There is a joint jurisdiction. But I have long believed that the National Government had sufficient jurisdiction if it chose to exercise it. I believe the combination of railroads, which so largely transcends State limits, have gained a power so in excess of any power controlled by the State that the remedy is practically beyond the States.

Senator HARRIS. So far as these land-grant railroads that were built through Territories are concerned, the rule, in my judgment, would be very different; but take a corporation chartered by the State of Nebraska or by any other State; do you think the Federal Government could or that it has the power or the right to say to that corporation in any given State, or to the private individual, if he stands on the same ground, what he might or might not do in respect to the conduct of his own or its own business?

Mr. BURROWS. There would be only one answer to that question, if you answer it categorically. But, after all, necessity for acquiring this jurisdiction exists. There was a President of the United States who found no power in the Constitution to coerce a State. Other Presidents found that power.

Senator HARRIS. At least they asserted it.

Mr. BURROWS. Yes, sir. As far as the power to coerce a State was

concerned, it was, as I considered, a limited power. As far as the power needed to coerce the combined corporations of the country—

Senator HARRIS. (Interposing.) I do not care to prolong any discussion upon that point, for it is a little foreign to the practical question before us; but if I were inclined to prolong it I should ask you to go to the Constitution itself, rather than to what Presidents or other people may have said, to find the power to do the things you suggest. But I will not provoke or prolong any inquiry as to that point.

Mr. BURROWS. I gave my view in relation to jurisdiction. I believe the United States has a right to declare any road in the country a post and a military road, and jurisdiction falls to it the minute it so declares. The jurisdiction of inter State roads is conceded. I believe the State has full jurisdiction, but it is a question of material power as far as the States are concerned. They never yet have been able to exercise the power that was equal to controlling them.

#### PUBLIC CHARACTER AND DUTIES OF RAILROADS.

Senator PLATT. I want to ask you if you ever have thought of the theory upon which a railroad is said to have public functions, public rights, public duties? It is generally stated that the roads are given the power to exercise the right of public domain. Of that you have spoken. But is there not a higher ground for it, after all? Does not the duty of making roads depend on the Government in the first instance, and is it not because that duty of making roads for the people has been delegated to private corporations?

Mr. BURROWS. There is no question in relation to that point.

Senator PLATT. Judges have decided that it is because the roads have had given to them the power to exercise the right of public domain. It seems to me that they have been intrusted with a part of the public duty for making roads for the transportation of public commerce, and also for intercommunication between points by individuals.

Mr. BURROWS. The King of Belgium, many years ago—he and George Stephenson were two of the ablest men who ever studied this question—adopted or caused to be adopted in Belgium that principle. It resulted in a joint ownership of roads in Belgium, and probably it was the most satisfactory system that ever was put in operation.

Senator HARRIS. Suppose you turn back to the United States and leave Belgium. I will ask you, as we are interrogating and not asserting, is there an instance, from one end of this country to the other, where government, State or Federal, has ever required of the people the construction of a railroad? There are many instances where the grant of power to construct them, if the people asked it and desired it, has been made; but is there a single instance where the people have been required by the Government to construct a railroad or a canal, or any other such public work?

Mr. BURROWS. I do not know, putting the question in that form, but that you are right. I do not know of a single case where the Government has required it. There are numerous cases where the Government itself, which we consider to be the people, representing the people, has constructed roads and canals; but as far as the furnishing of the actual sinews to construct roads is concerned, the gifts of lands and bounties that the roads have had west of Chicago would construct and equip every mile of road. There is no question about that. But I do not think it has ever occurred that there has ever been a law passed making it man-

datory upon a certain people or locality to construct a certain road. It would be phenomenal.

Senator PLATT. If the duty rests primarily upon the Government to provide roads, it would simply be tyranny to require people individually to construct roads.

#### RAILROADS IN THE FUTURE.

Mr. BURROWS. There is just one idea in connection with that that I would like to state. I do not wish to consume time or to infringe upon your good nature, but I believe that the railroad system has only begun its development. The duty of constructing roads is inherent upon all localities; it is inherent upon all townships and precincts.

The CHAIRMAN. It becomes a necessity to construct roads?

Mr. BURROWS. Yes, sir. The day will come when tramways and railroads will be used instead of our common country roads. They will be used as feeders unquestionably. The time will come when land in my immediate vicinity will be worth \$100 an acre, we will suppose, for agricultural purposes, and the rate of taxation that will now maintain good country roads will then build tramways, and the power that controls those roads will own and control the people of this country or of any other country where they exist. The question arises, is such a development possible, or am I simply crazy and a crank? If it is possible, and if it is to take place, who is to control the roads? Are we to be enslaved by such a power, or are we the people, to control it? The legislation that is taking place now will have a tendency ultimately to affect that result one way or the other. It is a question of great importance.

#### S. S. REYNOLDS'S STATEMENT.

S. S. REYNOLDS, grain shipper, appeared and said:

I reside at David City, in this State, 96 miles west of Omaha.

The CHAIRMAN. What is your business?

Mr. REYNOLDS. Grain shipper is my chosen business. In approaching this subject I do not wish to approach it in any spirit of partisanship; but as my friend Mr. Gere is here I want to correct a little statement he made. He said that in the session of the legislature two years ago a number of bills were introduced in regard to railroad matters, and among those bills was one introduced by me in the senate. As that represents my best thought and heart in the matter, I want to leave my bill with you. I will state, however, that my bill was considered radical, and that I took the elements for the foundation of the bill from the rates of the Chicago and Alton Railroad, in the State of Missouri, running from Kansas City through that State. It relates wholly to our own State, of course; but I found very early in the session that we could not pass my bill, and we compromised on a bill. I have a copy of that compromise bill which was passed by the senate of the State of Nebraska.

The CHAIRMAN. It did not become a law?

Mr. REYNOLDS. No, sir; it did not become a law. The senate was composed of eighteen of the opposition to fifteen Republicans. We passed it, but the house refused to pass the bill. The house was composed of one hundred members, fifty-seven Republicans and forty-three opposition. I want to leave both those bills with you gentlemen, and you can look at them at your leisure.

I will go to the questions now, and answer them briefly and give my views upon them and then state some matters with which I am acquainted in the State. I want to state that it is humiliating to come here and bring a personal matter before you. I would not do it. I will bring up only general matters.

The CHAIRMAN. What we want is to find out what the public think about inter-State commerce and its regulation.

#### EXTORTION AND UNJUST DISCRIMINATION.

Mr. REYNOLDS. Yes, sir. As to your first question in the circular—

1. The best method of preventing the practice of extortion and unjust discrimination by corporations engaged in inter-State commerce.

I think positive laws would reach the question. I can conceive of no just discrimination. Hence I am disposed to think that any discrimination as to persons and places is also unjust. The very word discrimination must imply injustice. I cannot see anything else in it. I heard that the railroad men claimed that the legislature could not frame any bill which they could not drive a coach and four through, and I think this word "unjust" is the gap through which they drive the coach and four.

Senator HARRIS. You think there can be no just discrimination?

Mr. REYNOLDS. No, sir; I cannot imagine any just discrimination. I mean by that that under the same circumstances the same articles going the same distance over the same line should be charged the same rate, and any discrimination in that regard would be unjust. It could not be anything else.

#### REASONABLENESS OF RATES.

As to your second question, "The reasonableness of the rates now charged by such corporations for local and through traffic," I think the rate is unstable. One rate is given to one class of persons and the general public, and to other persons a less rate is made. That is so at least a part of the time. I believe the minimum rate, or the rate for through freights to those favored persons, is quite reasonable, and can only be complained of on the ground that they are made in the form of favors instead of their being general. We hold that any other than an open rate to all the people is unjust. But I will say that the local rates are out of all proportion, and that I feel that they are unjust and oppressive. I have written my answers, and I will read them.

#### PUBLICITY OF RATES.

3. Whether publicity of rates should be required by law; whether changes of rates without public notice should be prohibited; and the best method of securing uniformity and stability of rates.

Yes, sir, they should be as public as market reports, as the freight rates are the controlling influence of the markets, next to the great law of supply and demand. Any change in rates without notice of, say, thirty days, works ruinous injury to buyers and shippers in many cases; and they should be positively required to move out all freights bought on a lower rate before any increase of rates should be charged, provided that this reasonable provision is so guarded that they could not continue such lower rates to favorites indefinitely. The more uniform the rates the better it is for all concerned.

## MAXIMUM AND MINIMUM RATES.

4. The advisability of establishing a system of maximum and minimum rates for the transportation of inter-State commerce.

Maximum rates are indispensable to the producer and consumer; and, gentlemen, I am of the opinion that minimum rates are just as essential to the just protection of weaker roads or corporations against the stronger, more powerful, and grasping ones. But we do most earnestly insist that the Government, which is the people, having granted the right of eminent domain and having donated such large tracts of the public lands and such munificent sums in bonds to the corporations, it was with the implied understanding that all the people should be treated equally; and we do demand that the services of railroad corporations shall be rendered to all on the same equal terms that our mail facilities are furnished by the Government, and equal also as the right of suffrage.

## ELEMENTS OF COST.

5. The elements of cost, the conditions of business, and the other factors that should be considered in fixing the tariffs on inter-State traffic.

The elements of cost we insist shall be the actual cost of the roads and equipment. Under no circumstances can we conceive of or admit the right of the corporations to pay dividends on fictitious stock. Of course the volume of business should be considered in fixing tariffs.

## REBATES AND DRAWBACKS.

6. Should any system of rebates and drawbacks be allowed. If so, should such transactions be regulated by law and be subject to official inspection or approval, or should they be entirely prohibited?

No rebates, donations, or drawbacks should be allowed from the established or published rate to any one.

## POOLING

7. Should pooling contracts and agreements between railroads doing an interstate business be permitted, or should they be entirely prohibited by law? If they should be regulated by law, would it be sufficient to require the terms of such agreements to be made public and subject to official approval?

Pooling might be unobjectionable if regulated by law in such manner as to maintain stability of rates, fair, just, and equal to both shipper and carrier.

## SHIPPERS' RIGHT TO SELECT ROUTE.

8. Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?

Most certainly every consignor of any article should have the unquestioned right to direct by what route or line he desired his goods transported, and any infringement of this right should be positively prohibited by law.

## UNIFORMITY OF RATES.

9. By what method can a uniform system of rates for the transportation of passengers and freights by all the corporations engaged in interstate commerce be best secured?

I believe that just yet positive laws alone can secure this long prayed for panacea. Yet a commission, composed of earnest men, strangers to injustice or favoritism, might be useful in enforcement of such laws; and am firm in the conviction that each State should have one representative on such commission.

#### THE LONG AND SHORT HAUL.

10. Should corporations engaged in interstate commerce be permitted to charge a lower proportionate rate for a long than for a short haul? Does the public interest require any legislation on that subject?

They should not be permitted to charge more for a short than for a long haul, and we implicitly rely upon our National Congress in their wisdom to remedy this evil, as the power to do so rests solely with you.

#### THE CAR-LOAD THE UNIT.

11. Should any concessions in rates be allowed to large shippers except such as represent the actual difference in the expense of handling large shipments over small shipments, and should such concessions be made known to the public?

A car-load should, as we believe, constitute the unit in determining this matter, and on no theory could concessions in rates be justified except that a man or company with large capital could not compete with men of small means or less capital than themselves.

#### UNIFORMITY OF ACCOUNTS.

12. Should corporations engaged in interstate commerce be required to adopt a uniform system of accounts?

As to uniformity of accounts, your wisdom, with fair understanding of the condition of the various communities commercially, will undoubtedly determine what will be best.

#### ANNUAL REPORTS TO THE GOVERNMENT.

13. Is it desirable that such corporations should be required to make annual reports to the Government? If so, what information as to their earnings, expenses, and operations should reports contain?

Our opinion is that they should be required to make annual sworn statements to the Government, with full statement as to earnings, and every branch of expense and income, and these reports should be taken as conclusive on all legal questions as to themselves which might arise subsequently.

#### WATERWAYS.

14. In making provision for securing cheap transportation, is it or is it not important that the Government should develop and maintain a system of water-routes?

We think that the natural highway water-routes should be developed and maintained, wherever the same can be done with prospect to receive in return adequate service for the expenditures made, and where canals can be built and maintained with assurance of justifiable return to the public.

#### THE REMEDY.

15. In what manner can legislation for the regulation of interstate commerce be best enforced? Should a commission or other special tribunal be established to carry out the provisions of any law Congress may enact?



Our people have spoken, at our last election, on the commission system, and very emphatically, too; yet our late legislature, in their wisdom, saw proper to ignore the wishes of the people on this question, and we have to test the utility of a commission who have no powers granted them in their creation; and as citizens desiring a solution of this overshadowing question, we hope for some relief through their existence.

I wanted to present to the committee a report of an investigation made here. You can look it over at your leisure, and you can see in what direction it went and how the railroad officials met us. I have some rates here that were sent by parties out in the State, and I will also leave that paper with the committee.

The CHAIRMAN. You had better explain them, if you know what they mean.

Mr. REYNOLDS. This is in reference to some shipments in 1884. It shows the charges locally, and the charges east of the Missouri River on the same identical goods.

#### INSTANCE OF HIGH LOCAL RATES.

The CHAIRMAN. Perhaps they are the same as came out in Mr. Burrows' statement.

Mr. REYNOLDS. No; they are not the same. I could give you a thousand instances, but I will name only a few. One case came up in my own town, and I will mention that. There was a car-load of wire for binding grain. We use binders out in our country. That car-load of wire was shipped from Cleveland, Ohio, to Council Bluffs, or really to our town. The freight on that invoice of merchandise, as I will call it, was \$98.65 from Cleveland to Council Bluffs, 800 miles, and from Council Bluffs to David City, 100 miles, it was \$129.85.

The CHAIRMAN. When was that?

Mr. REYNOLDS. That was in 1883; but the same thing prevails still. There has been no particular change in that respect.

Senator HARRIS. Was the bill of lading through from the point of shipment to your place?

Mr. REYNOLDS. It came in this way: The bill of lading was really through from Chicago, although the freight was drawn back on the route from Cleveland to Chicago. It was shipped from Chicago really, but the freight was paid from Cleveland on those identical goods. It was shipped by the McCormick Harvester Company.

A man was telling me yesterday that he had a shipment of goods from a point 163 miles east of Harrisburg. The rate of freight to his point was \$19 in the State. Nine dollars of it applied to this side and \$10 to the other side. I could name a thousand instances but it is not necessary. Among the more conservative men, and those acting on the part of the railroads even, it will not be denied. We do feel that we are abused and oppressed in this country. I speak for the people and not for myself. I know their sentiments. I have been as near to the masses and to the common people as any man in the State, I believe, who has not been more prominent at least. They feel that there is injustice practiced against them. I think the railroads and the people ought to be friendly and the railroad managers ought to meet us and let us confer with them. We should settle our mutual interests, because they are undoubtedly mutual. That is the argument I have made and have contended for with the railroad men since I have been interested in the subject.

The CHAIRMAN. You are a member of the State senate?

Mr. REYNOLDS. I was, in the session before the last. I am not now a member of the senate. The bill which I present to you, which was introduced in the legislature in the session before, I got a gentleman to introduce. He helped me to frame it. We attempted to get some petitions before the legislature petitioning the legislature to pass the bill, or to amend it in some way if it were too strong. The people wanted to get some relief.

The CHAIRMAN. Give us a general idea of what you were trying to do by the passage of that bill.

Mr. REYNOLDS. It is a bill to make rates in this State. Bill No. 149 was a compromise bill, which was agreed on and passed in the senate.

The CHAIRMAN. What are the general provisions of that bill?

#### LOWER PASSENGER RATES ENCOURAGE TRAVEL.

Mr. REYNOLDS. That bill reduced the rates of freight in the State 30 per cent. The local rates in force on the 1st day of January, 1883, were made the rates. Then it creates the same commission that we have now. It gave them the power to see that the provisions of that bill were enforced, and that the rates should be reduced, and that the people should have the benefit of that reduction, and it reduced the passenger rates to 3 cents a mile. For four years, since I have been interested in this question particularly, I have argued that the reduction of passenger fares would make for the railroads more money than a higher rate. It would encourage travel.

The CHAIRMAN. They charge the same rate for passenger fare on both sides of the river, do they not?

Mr. REYNOLDS. It was 4 cents in this State until the first of this present month.

The CHAIRMAN. What is the fare on the other side of the river?

Mr. REYNOLDS. Three cents. It was reduced last winter by the legislature to 3 cents per mile, under the same law which created our commissioners.

The CHAIRMAN. Do the people have to pay more on this side for passenger rates than they do in Iowa?

Mr. REYNOLDS. No, sir. It had been 4 cents a mile in this State previously, and 3 cents in Iowa; but now the rates are the same. I had an opportunity to see a record in a certain office in this State on the evening of the 18th of this month. I saw the footings of the receipts for passenger tickets for the same day last year; when it was 4 cents a mile, it being 3 cents this year. The increase this year was 11 per cent. in the receipts of that office. I inquired at another office, and was told that since the reduction the traveling has increased and the receipts are larger than they were before.

The CHAIRMAN. What road are you referring to?

Mr. REYNOLDS. Two roads. A branch of the B. & N., and also a branch of the Union Pacific. They cross at our town.

The CHAIRMAN. What is the B. & N.?

Mr. REYNOLDS. It belongs to the Burlington and Quincy system. It is the Burlington and Nebraska in this State.

#### COMPLAINT OF DISCOURTEOUS TREATMENT.

I think in framing any law to control this question citizens should be treated courteously and gentlemanly when they approach a railroad official on any business. They should not be met in a kind of insulting

way, as they are. I know of a citizen in this State who went to see the general freight agent of the Union Pacific road last winter, in regard to building an elevator. It was thought that that citizen had been offensive to the railroad, and the agent made the remark to him about raising hell about his business. I do not believe men ought to talk that way to each other.

The CHAIRMAN. We cannot, very well, by legislation keep them from talking.

Mr. REYNOLDS. I suppose then a man has got to resent such things physically. If I went to my post-office and the postmaster talked to me in that way, I would get him fired out very quickly.

#### EVASION OF THE "DOANE LAW."

The CHAIRMAN. What is the fact in reference to the operation of what is called the "Doane law"? Has it done any good?

Mr. REYNOLDS. The "Doane law" simply prevented them from charging more than they were charging, which was an extortionate rate.

The CHAIRMAN. Did the railroads abide by that law?

Mr. REYNOLDS. It was that law that they claimed to me—and they laughed at me when it was passed—they could drive a coach and four through.

The CHAIRMAN. Did they regard the law, or not?

Mr. REYNOLDS. No, sir; I do not think they did. I think they evaded it. If you will look at the report of that committee of which I was a member you will see the facts. We set the facts out in that report. The railroads evaded that law.

The CHAIRMAN. Do you think Congress can pass any law fixing rates which the railroads would not be able to evade?

Mr. REYNOLDS. I think so.

The CHAIRMAN. Could the State of Nebraska pass any law without some special authority to enforce it which the railroads would pay any attention to?

Mr. REYNOLDS. I think it would take a positive law to make them do it.

#### A NATIONAL COMMISSION.

The CHAIRMAN. There is a good deal of positive law in that "Doane law"?

Mr. REYNOLDS. There is no penalty there. The fact about it is, that I believe the commission certainly will have to be adopted—if we can get men that are fair. I want to see the railroads have justice done to them.

The CHAIRMAN. If we can get honest men for the national commission (and it is presumable that we can in this country), with as stringent provisions in a law as it would be safe to pass in the interest of business, do you believe we will be more likely to have the law enforced than if we just made a law with those provisions in it without making it the special business of any one, except the ordinary courts and the prosecuting attorneys scattered over the country, to enforce it?

Mr. REYNOLDS. I think so, for the reason that the people individually are not able to combat the railroad corporations. They hesitate and refuse to go to law with them. The railroads themselves claim that it does not cost them anything to go to law. Their attorneys are employed by the year.

The CHAIRMAN. The shipper feels that he has been imposed upon to

the extent of \$15 or \$20, or that he has been discriminated against, and he does not like to lose the money; yet when he goes to an attorney and asks him how much he will charge to attend to his case he generally finds the charges to be as much as the amount involved. Is not that true?

Mr. REYNOLDS. Yes, sir.

The CHAIRMAN. Suppose a commission were formed to whom he could go with that grievance and say, "I want this claim settled and I want my money, or whatever is right," and the commission could determine the question, would not that be the better way?

Mr. REYNOLDS. Yes, sir; if the commission is clothed with power.

The CHAIRMAN. Suppose, if any law is passed by Congress, the commission is given all the power it can be given under the Constitution without making it a court for life, do you not think that such a commission would be of some account?

Mr. REYNOLDS. I would be willing to see it tried, and, if it proved ineffectual, we could try some more stringent remedy.

The CHAIRMAN. You think we will have to feel our way along on this question, and do the best we can with the light before us?

Mr. REYNOLDS. Yes, sir; I think we ought to have a national law, and a state law too, to prevent their discriminating against or showing any favoritism to any one, and requiring men to yield certain points of opinion, or else be driven from business, or be harassed so that there is no profit, and so that they cannot support themselves and their families. I do not believe it is right to drive a man out of business, or make him follow another business, if he does not want to do as the railroads choose.

The CHAIRMAN. I believe you have given your views in answer to the questions in the circular?

Mr. REYNOLDS. Yes, sir; I have.

#### PUBLIC SENTIMENT AS TO RAILROADS.

The CHAIRMAN. What do you think as to the sentiment of the people in this State as compared to the sentiment four or five years ago? Are they getting more incensed against the railroads or less incensed?

Mr. REYNOLDS. As against the railroads, I cannot say the people were ever incensed.

The CHAIRMAN. Well, are they incensed against their managers?

Mr. REYNOLDS. It is their abuses, and the tyrannical power that they exercise that the people are opposed to.

The CHAIRMAN. Do you think there is more or less of it than there used to be?

Mr. REYNOLDS. I am inclined to think that there is not so much of it as there was. They are beginning to "see the handwriting on the wall."

The CHAIRMAN. You think it is important that people should have an opportunity of knowing what is going on in the world?

Mr. REYNOLDS. Yes, sir.

The CHAIRMAN. That is one means of bringing the people and the railroads together and coming to a common understanding?

#### STOP PAYING PRINCELY SALARIES TO RAILROAD OFFICIALS.

Mr. REYNOLDS. Yes, sir. There is another point I want to make: You will find that I have raised the question in that report. It is in re-

gard to paying princely salaries to railroad officials. If the railroad owners wish to pay them, and will pay them out of their own dividends, that is all right; but when they pay the officials more than we pay United States Senators, and the public is taxed, and bondholders and stockholders do not pay those salaries themselves, I think it is unjust. There is a great deal of that, and it amounts to a large amount of money that is being taken from the people. I do not think it is right. If their talent is worth that, let those men pay them out of their own pockets. That is, after they have paid them \$5,000 a year (let them tax the public for that amount), then let them pay anything further than that out of their own pockets.

### ALLEN ROOT'S STATEMENT.

ALLEN ROOT, farmer, appeared.

The CHAIRMAN. Where do you live?

Mr. ROOT. I live southwest of Omaha, 6 miles.

The CHAIRMAN. What is your business?

Mr. ROOT. Farmer.

The CHAIRMAN. You have been listening to the course of investigation here. Do you know of any reasons for complaints against the management of railroads in this State?

Mr. ROOT. Yes, sir; I believe I do know of some instances personally and generally.

### THREE CAUSES OF COMPLAINT.

The CHAIRMAN. Tell us what you know about the subject generally, in your own way.

Mr. ROOT. The complaints among the people, and my own also, are owing to three causes. The first is that freight rates are too high.

The CHAIRMAN. Do you mean their local rates?

Mr. ROOT. Their local freight rates are too high decidedly, and through rates are comparatively so. The second cause is, they discriminate against persons and places. The third cause is that they interfere with our political management, and we can get no relief from our political machinery. Those are the three causes of complaint that I hear, and that I know of.

The CHAIRMAN. You know that the roads do all three of those things?

### HAULING BY TEAM CHEAPER THAN BY RAIL.

Mr. ROOT. Yes, sir; I know they do all three of them. I will call your attention to one matter. There is a little flour concern up here 6 miles where the freight rates are too high. That is, they are higher than the hauling can be done with a team. A man with a team can beat the railroads on price.

The CHAIRMAN. Do you mean hauling flour to this town?

Mr. ROOT. No; they haul flour to Blair from a little mill 6 miles from here. When the mill was opened, about two years ago, they commenced to carry it for 10 cents a sack. For some reason they raised the price to 18 cents. They have since carried it by team, and they do it yet, right along the track. The freight charges are too high. For the same service in Nebraska, locally, we pay from six to seven times what they do over in Iowa, over the pool lines, which we here think is very high.

## ARTICLES OF ONE KIND ONLY ALLOWED IN A CAR.

Another complaint is that we are allowed to ship on cars but one thing. I will relate an instance of that. I have a son-in-law in Holt County. He wanted to go there and open a farm, and he wanted to take his materials for a house and some things to live on, and all those things. On going to the railroad we found we would have to have 11 car-loads in order to ship what we wanted to ship. He could ship a load of lumber, but no doors, sashes, blinds, or windows. He could ship a car-load of meat; but we did not want a car-load. We had to have eleven cars. But if we were allowed to ship them all in one, one would answer.

Senator PLATT. Do you mean that you needed eleven cars?

Mr. ROOT. If we wanted a wind-mill, we would have to ship it in a car.

The CHAIRMAN. How much did you pay for a car?

Mr. ROOT. Fifty-eight dollars.

The CHAIRMAN. Did you actually take the eleven cars?

Mr. ROOT. No, sir; we paid passage rates. We paid at the rate of 86 cents a hundred pounds for 200 miles.

The CHAIRMAN. Was that exorbitant?

Mr. ROOT. We think it is exorbitant. If we have business to do, we can do it with a team. I can haul for that amount by wagon. So you see railroads do us no good, so far as that is concerned. We know they are high, too, because years ago, before we had railroads in the State, or before one was within 200 miles of us, I bought in this town 20 pounds of sugar for a dollar. I have never reached that since. We have an abundance of railroads. We now get for grain 18 cents. Sugar is 12 and 14 pounds for a dollar. So that, practically, we have no use for railroads. We would be better off if they were all taken up—with the management as it now is. But I do not want the committee, or any man, to understand that we can get along without railroads.

Senator PLATT. I think I saw on a board fence, while riding around town yesterday, a statement that you could get 20 pounds of C sugar for a dollar.

Mr. ROOT. I have not been able to get it. In 1857 we got 20 pounds of sugar, when there was not a railroad within 200 miles of us.

Senator HARRIS. The dirt roads which you had here before the railroads came are still in existence?

Mr. ROOT. Yes, sir.

Senator HARRIS. And every citizen has a right to ship by railroad, or over the dirt road, as he chooses?

Mr. ROOT. Oh, no; he has to ship by railroad, or else he cannot ship.

Senator HARRIS. May he not take his time and haul his freight on the dirt road?

Mr. ROOT. How can you haul stock on a wagon?

Senator HARRIS. Did you haul stock on a wagon before you had railroads?

Mr. ROOT. No; we have got to ship them now, or we cannot get there in time. We have got to be there, or else we are left.

Senator HARRIS. Still you have the same means that you had before you had the railroads?

Mr. ROOT. Oh, yes; but we would like to see them reasonable.

Senator HARRIS. I think also that you are entitled to have them reasonable.

Mr. ROOT. Yes, sir; I think we are. If I figure rightly, we people built them. We ought to have the use of them without extortion.

The CHAIRMAN. The townships and cities and counties took stock in these roads that came in here, you mean; or do you mean that the land grant from the Government built them?

Mr. ROOT. The land grant and subsidies built a good many roads in this State.

Senator PLATT. Then you are paying rates now for having built them?

Mr. ROOT. Oh, no; they were paid for out of the land grants. What we pay now is being put into new capital.

#### POLITICAL INTERFERENCE.

The CHAIRMAN. Have you any other complaints to mention?

Mr. ROOT. These are specific points of complaint we have against the railroads. As far as political interference is concerned, they do that every day that passes. We supposed that we were going to get a little help last winter, but we got nothing. The Farmers' Alliance met there, and we thought we might get some relief at these points, and that we might ship our goods out of the wagons. But we cannot do it. We have to go to the elevators, and load from them into the cars. We pay for that.

#### RATES BASED ON VALUES, NOT ON SERVICES RENDERED.

Another thing, we know that the schedule is a schedule of values, and not a schedule for the purpose of fixing freights. The schedule of freights is a schedule of values. They are simply to fix the freights according to the value, and not according to the service rendered—that is, they charge three or four times as much for shipping a car-load of butter as for a car-load of wheat. We say this, that the railroad should ship a car-load of butter for the same rate as a car-load of wheat. It is none of their business, practically, what a man ships.

Senator PLATT. Do they make the same distinction between butter and cheese and lard?

Mr. ROOT. I do not know that they would.

The CHAIRMAN. There is a little more risk, is there not?

Mr. ROOT. Yes, sir. I believe they take no risk against Providence.

Senator HARRIS. Do you think a railroad company should transport a car-load of dry goods for the same rate that they transport a car-load of coal?

#### SAME HAUL CHARGES FOR ALL ARTICLES.

Mr. ROOT. We cannot see any difference. The haul is all the transportation. For instance, I cannot see why they should not charge the same rate for a car-load of butter as for a car-load of wheat and dry goods. The shipper has no interest in it further than the risk he runs; that is all. And when there is no handling, we say they ought to ship at the same rate. If I load a car of stock or corn, I ought to have it carried at the same rate. I load it and unload it, and that costs them nothing. The haul is all we ask of the railroads. Their charter does not give them the right to enter into my business and say, "What do you make on a bushel of potatoes?" We only granted them the right to haul it. They do not stop with the right the legislature or the Gov-

ernment granted to them. They go further, and control every man's business and look into it. If you go to ship a thing the first question asked is, "What do you get for it where you ship it?" I say frankly that it is none of their business what we get for it. If I pay so much a pound for carrying it, that is my business.

Senator PLATT. When there was no railroad here, and you had overland transportation to Denver and California, did they make any difference in the charge as to the value?

#### OVERLAND TRANSPORTATION WAS BY THE POUND, REGARDLESS OF VALUE.

Mr. ROOT. Very little, or none. Bulk entered into it. They would ship a wagon-load of iron, or flour, or anything of the kind, at so much a hundred. I freighted a little, and it made no difference. It was the pounds I paid for hauling, and what was in it—whether whisky or flour—made but little difference, or none practically. That is what we complain of the railroads about.

Senator PLATT. It did not make any difference with the wagon so long as they could get a sufficient load for each team?

Mr. ROOT. That is it. We think that rule should be applied to railroads. Specific gravity and bulk should enter into every schedule of rates, instead of value.

Senator PLATT. Suppose the commodity was very light?

Mr. ROOT. Of course you are entitled to more, then. There is no doubt about that. If you cannot get 25,000 or 30,000 pounds into a car, you ought to pay for a car-load. On their last list of rates they have 1, 2, 3, and 4 times first-class freight rates on various articles. If it is 86 cents for 200 miles, it is four times that on some special articles.

#### SPECIAL RATES A SPECIAL TAX.

Senator HARRIS. These special freight rates amount to a special tax on the country?

Mr. ROOT. That is what it amounts to, and it is very heavy.

Senator HARRIS. Take a car-load of domestics or sheetings, worth 5 or 7 cents a yard, and a car-load of silks, worth \$3 a yard, the one being consumed by the less wealthy classes, and the other, being purely luxuries, being consumed by the wealthy classes. Do you think they should be taxed equally for their transportation?

Mr. ROOT. I cannot see why.

Senator HARRIS. I simply want your opinion.

Mr. ROOT. If you would make the tax the same, and make it light enough, those that now consume the domestics might consume some of the silks. That is, if they were transported for what they ought to be. That is where the stuff comes from that earns all that pays for the silk or the cotton. I cannot see what the transporter has to do with the value of the thing transported, except as to the risk.

Senator HARRIS. There is some difference in insuring against accidents.

Mr. ROOT. The owner, as I understand it, generally insures.

Senator HARRIS. The common carrier is responsible for all damages, except those resulting from the act of God or the public enemy, is he not?

Mr. ROOT. I understand he is.



Senator PLATT. They have way-bills in which the owner releases the company from that risk?

Mr. ROOT. Yes, sir.

Senator PLATT. They have two kinds of releases, and they make different charges accordingly, do they not?

Mr. ROOT. That is the truth.

The CHAIRMAN. Are there any other suggestions that you think of?

Mr. ROOT. Not as a general thing, that they complain of here. If these things were remedied, or even if two of them were remedied, it is all we, as a farming community, would ask. We ask no special legislation on our side. We only ask the stopping of the railroads from taking that which belongs to us and putting it into their pockets.

Senator PLATT. If you ask for the first two, I think there would be no necessity for controlling them by legislation.

Mr. ROOT. No, sir. You have given out some circulars here in which you ask several questions. I suppose that is for the purpose of getting the views of the people. I have views based on what I call good grounds, although somebody else might not think they were good answers, to almost all these questions you have asked here.

#### EXTORTION AND UNJUST DISCRIMINATION.

1. The best method of preventing the practice of extortion and unjust discrimination by corporations engaged in interstate commerce.

The best method, in my opinion, is by statute law, the same force as that by which the corporations were created. That, in my opinion, would remedy nearly all of it. Execute a positive law. Fix the rate for passengers and freight, as these rates are the only instruments which they use with which to punish their enemies, or to fill their pockets. That is the only instrument they use that I know of, rates and discriminations, which latter, of course, is another species of rates.

I regard it as Mr. Reynolds does, that just discrimination does not and cannot exist. Any discrimination works a wrong, and the best method of preventing extortion is by fixing the rates.

#### A HORIZONTAL REDUCTION ON RATES.

The CHAIRMAN. Who shall fix them?

Mr. ROOT. The power that created the corporation.

The CHAIRMAN. Would you have Congress attempt to figure out what the rates should be on everything, for all distances and on all railroads?

Mr. ROOT. The railroads have already done that. They have fixed their tariff and their schedule of freight rates. They have schedules of the things carried, and their rates have been fixed in accordance with them. A reasonable reduction on that very same schedule, say from 25 to 50 per cent., ought to be made. It ought to be a greater reduction in this State to be reasonable.

The CHAIRMAN. You would have Congress pass a law enacting that the freights all over the United States should be reduced 15, 20, or 25 per cent., in those words?

Mr. ROOT. I do not know that that would be the remedy; it would be one that would make the rates so that the transporter should not make more than twice or three times a proper percentage on the capital invested.

The CHAIRMAN. You would have Congress declare the principle and then have some authorized body to work out the rates?

## TAXATION WITHOUT REPRESENTATION.

Mr. ROOT. I do not know; the commission would have it to do. I care not what it is, but you will have to come to that point. You must control the thing which they use to oppress us, the freight and passenger rates. That is the one thing which they use, and it has got to be controlled. If you use the commission the commission has got to reach it. If you use the statute the statute has got to reach it. This is the thing to be controlled. When they ask the legislature for charters they ask for the right to tax the people. If you were to tax the people as the railroads now do, without limit and without hindrance, the condition would remain just what it is now. They will absorb everything we make.

Senator PLATT. It is a case of taxation without representation?

Mr. ROOT. That is just what it is. It is a heavy taxation, too. That is what our fathers rebelled against.

## REASONABLENESS OF RATES.

2. The reasonableness of the rates now charged by such corporations for local and through traffic.

We say they are exorbitant, as local, in this State. Why? They absorb everything we produce. That is what is the matter. I want to make no distinction. They get *all*. We hardly have a living out of our labor. If we do, it is a very close one. It is right close down to the ground, and the railroad gets all the rest.

## PUBLICITY OF RATES AND NOTICE OF CHANGE.

3. Whether publicity of rates should be required by law; whether changes of rates without public notice should be prohibited, and the best method of securing uniformity and stability of rates.

When the first is done you have done all. If you fix the rates you have them stable. One of the worst features of the application of their rules is the changing of their freight rates without notice. Four or five years ago in this State they almost filled up all their elevators with corn at 22 cents a bushel. The freight rates were so changed in four days that it dropped down to 15 cents. Every dealer in corn was nearly ruined. If they had had time to unload it would have been different. We say the schedule ought to run six months or a year without change. Now a man knows nothing about a prospective change. If he loads up a car-load of wheat the freight may be changed on him while that load is at the depot, so that every dollar is absorbed before it reaches Chicago. That is a power that ought not to exist in a corporation.

## MAXIMUM AND MINIMUM RATES.

4. The advisability of establishing a system of maximum and minimum rates for the transportation of interstate commerce.

I believe I have stated clearly what my views are on that—that it should be fixed by law, and in such a manner that it can be carried out and made effective to produce the result we desire.

## ELEMENTS OF COST.

5. The elements of cost, the conditions of business, and the other factors that should be considered in fixing the tariffs on interstate traffic.

I do not see but that all of these things have got to enter into it. The condition of business is largely owing to the railroad operations themselves. For instance, when we have a surplus crop here in Nebraska they slide the tariff right up and consume every dollar. They consume every cent beyond the actual cost of production; when there is a foreign demand for it, especially. Our home consumption, of course, outruns all foreign consumption.

Senator PLATT. What do you say about the statement made that for a time there was a reduction of 5 cents on the shipments of corn?

Mr. ROOT. There was a reduction of 5 cents last summer.

Senator PLATT. That was to aid the farmers, was it not?

Mr. ROOT. If it had been reduced 15 cents and made fixed and permanent, or even if it had been increased 5 cents, and made fixed, so that we could know what we are doing, that might have been the case. When we feed cattle we want to know what we are going to realize upon them. It is enough for us to have to fight the Chicago market.

Senator PLATT. It is as much as most men want to do?

Mr. ROOT. It is; if a man can do that and come out on top, he is pretty smart. But when he has to fight tariff rates, too, it is a double burden.

#### REBATES AND DRAWBACKS.

6. Should any system of rebates and drawbacks be allowed? If so, should such transactions be regulated by law and be subject to official inspection or approval, or should they be entirely prohibited?

I need not tell the committee what that means; but it seems to me that it is only another name for robbery. Any system of drawbacks, or any scheme by which a drawback or rebate is allowed, is simple robbery. For instance, I am able to ship 100 car-loads of cattle. My boy, just as able as I am, can ship two. These corporations go into his pocket and take out \$28 and put it into mine. Can he stand it? You may know how long he can stand it. He can stand it until he runs out with the two little car-loads he ships, and then I have got it all.

Senator PLATT. You will have run him out of business?

Mr. ROOT. Yes, sir. This is the practice throughout on the shipping of cattle, and I know it. I have shipped cattle in the names of other men in order to save the \$14 of drawback.

Senator PLATT. You have done so yourself?

Mr. ROOT. I have myself. I know what it means. I say it is robbery.

Senator PLATT. Is that going on nowadays?

Mr. ROOT. I believe it is. The last I knew anything of it, it was again in full blast.

Senator PLATT. And you were doing it yourself?

Mr. ROOT. Yes, sir; I have done it. If I was shipping any cattle I would save \$14 in that way. While my neighbor was paying \$66, I had to pay \$80.

Senator PLATT. You were the little fellow, then?

Mr. ROOT. I was the little fellow. I am a little fellow yet, as far as that is concerned. That is why I may remain the little fellow, just because this railroad robs me and gives it to the big fellow. If there is any legislation to be had on that subject, it should be to help the little boy. Help him. When he gets big enough he will not need any help.

## POOLING.

7. Should pooling contracts and agreements between railroads doing an interstate business be permitted, or should they be entirely prohibited by law? If they should be regulated by law, would it be sufficient to require the terms of such agreements to be made public and subject to official approval?

On that, I think, the least legislation we have for the control of railroad business the better. If you will fix the rates and compel them to treat their patrons all alike, you have done all that you need to do. You need not interfere with anything else. Let them manage their business in their own way. Control that which the people have granted to them—the right to levy taxes on them; and fix that tax so that it will be equitable. Give them a large percentage, I say, but fix it so that they shall stop extortion.

Senator PLATT. And discrimination?

## DISCRIMINATION ILLUSTRATED.

Mr. ROOT. And discrimination. Why, they ruin the people. I will relate an instance. A few years after they built the Union Pacific—you ask friend Burrows if the officers and managers of this road knew anybody; there was a little tussle between Columbus and Jay Gould as to how many bonds he should have for completing a road out of Columbus. Mr. Gould, standing on his platform, said, "Gentlemen, I can make or unmake your city." They did not agree. Next year he set his men to work at Dunbar, just on the other side, and commenced building a track up the Loup. It was as though a nightmare had struck Columbus. It nearly died. In a little over a year the Lord took the side of the people and swept out Mr. Gould's railroad, city and all. He had built it on the bottom. It swept away the railroad, bridge, and all.

Senator PLATT. Washed it away?

Mr. ROOT. Yes, sir. They came to another hearing with the city of Columbus, and now they agree. What were the terms I do not know. But they have built the railroad up from Columbus, on Lost Creek, up this side of the Loup Fork. So I say these discriminators know when they can kill or punish places and persons.

There is another place called Millard, 22 miles from here by road. Two or three years ago they got as much as \$18 from Omaha; 6 and 8 and 15 miles beyond that they give it for \$18. These are discriminations against places. It is worse and more wicked than discriminations against persons.

## POOLING AND COMPETITION.

As I stated, if you fix the rates, we need not interfere with their pools. They now agree. A gentleman said that there was no agreement among railroads. I think there is. All these pooled lines agree on exactly what percentage they will skin out of the people. Then comes in competition, and they fight for the skin. But there is no competition as to what they shall take. Not a bit. They agree as to what they shall take, and then comes the competition as to who shall have it. As far as I have looked into the railroad management, I say it would be an advantage to railroads to have their tariffs fixed, and then there could be none of these railroad wars, where they carry a man for nothing and pay his board. Then he would have to pay for all these things. When rates are fixed, if a man has a bushel of corn or a hoof of cattle to ship, he pays for it, and pays their board, too.

## SHIPPERS' RIGHT TO SELECT ROUTE.

8. Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?

That question seems plain to any man. If a man employs any instrument to do his business, it should be done as he directs. If a railroad company employs the entire community of the United States, then they have the right, of course, to do as they please, but if the community employs the railroad, that community ought to direct how its goods should be shipped. If I have a choice of lines, or of ways, by which I wish to ship an article, I certainly ought to have the right to select it, and the railroad ought to obey.

## UNIFORM SYSTEM OF RATES.

9. By what method can a uniform system of rates for the transportation of passengers and freights by all the corporations engaged in interstate commerce be best secured?

I believe that I have answered that question. They can be best secured by fixing the rates.

## THE LONG AND SHORT HAUL.

10. Should corporations engaged in interstate commerce be permitted to charge a lower proportionate rate for a long than for a short haul? Does the public interest require any legislation on that subject?

So far as that is concerned, just the switch difference should be made, in my opinion; just all it costs to switch a car.

Senator PLATT. To go after it, if they have to do so?

Mr. ROOT. That is all the difference that should be made. It costs no more to haul a car 1 mile in a train that is going 1,000 miles than it does to haul it after it is hitched to it; so that there should be no difference, except for the switching, between the long and short haul. There has been a good deal said about it, but it is all bosh.

Senator HARRIS. You think the proportionate rate should be the same, except the cost of switching?

Mr. ROOT. Certainly; there should be no other difference. If I send a car 1,000 miles, it should be ten times as much as for 100 miles, with the exception of the cost of the switching that has to be made at the end of 1,000 miles. If the railroads handle, and load and unload, it makes a difference; but if the shipper loads and unloads, it can make no difference to the railroads.

The CHAIRMAN. You are in favor of a pro rata charge?

Mr. ROOT. Yes, sir.

The CHAIRMAN. A charge per mile?

Mr. ROOT. Except where they render a service, and then they should be paid for it. Of course if they switch a car at Millard and another at Fremont for me, I could not expect them to take a train and go to North Platte for me for nothing; I should not ask it.

## CONCESSIONS TO LARGE SHIPPERS.

11. Should any concessions in rates be allowed to large shippers except such as represent the actual difference in the expense of handling large shipments over small shipments, and should such concessions be made known to the public?

That is one of the main instruments that is now used to accumulate large fortunes. It is an advantage that the large men have over the

little men. If there is any legislation required at all, in my opinion it is that they should charge less for small shipments than they do for large ones, in order that the young man just going into business may at least be put on a level with the old man who has got his millions. There should be no difference. If you allow concessions to large shippers, you will dry up the little ones at once, no matter what is the capacity of the little man, no matter what brains he has. This difference in large shipments over small ones will soon wipe out the little men. The big fish will eat up the little ones.

#### UNIFORM SYSTEM OF ACCOUNTS.

12. Should corporations engaged in interstate commerce be required to adopt a uniform system of accounts?

So far as it relates to the fixing of rates, it should be required, and it ought to be specific; but no farther. Let them transact their business in their own way.

#### ANNUAL REPORTS TO THE GOVERNMENT.

13. Is it desirable that such corporations should be required to make annual reports to the Government?

It is.

#### DEVELOPMENT OF WATERWAYS.

14. In making provision for securing cheap transportation, is it or is it not important that the Government should develop and maintain a system of water routes?

That is too plain to need an answer. Water transportation, I believe, has ever been cheaper than wheels, but they are approximating now so closely to it that where the shipment is for a short distance by water, where it is once on wheels, the reshipment will make the difference. With steel rails and with the traction reduced to the minimum, as it is now, the actual difference between the cost of transporting over wheels or by water is very small. That is shown by the fact that during the summer months, when water navigation is open from Chicago to New York, the rates become nearly level, nearly equal. But the objector might raise the point that that is due to competing for the business. We will allow that there is competition there, but if they can transport by wheels from Chicago to New York as cheaply as they can by water, then why should we expend much money on water routes that are impracticable? The Mississippi River is a practicable route so far as Saint Louis is concerned, but when you reach the Missouri River you can build two railroads while you are keeping that river clean once.

#### THE MISSOURI RIVER IMPRACTICABLE.

Senator PLATT. You do not think it is worth while to try to improve the Missouri River at all and to make it a transportation route?

Mr. ROOT. Not as a money-making scheme, or as a money-saving scheme, either; but if it is coming in competition with the railroads so that water routes have got to compete with railroads, and there is no other means of equalizing or coming in competition, then build a water route all along every railroad, so that we shall have competition. If the Chicago water route to New York will reduce freights to 15 cents a hundred, and the instant the water route is frozen up in November the rates go to 45 cents, we want water routes all along

The CHAIRMAN. If you do have them, they will freeze up in that locality?

Mr. ROOT. Yes, sir; they would freeze. But I do not regard them as necessary. I regard the power of this people as sufficient to control these railroad corporations. If they are not, they can wipe the railroads out of existence.

#### THE REMEDY.

15. In what manner can legislation for the regulation of interstate commerce be best enforced? Should a commission be established for this purpose?

The whole thing rests on force. If we have not the power to enforce a statute law, we have not the power to enforce the decree of a commission.

The CHAIRMAN. The commission would be the force.

Mr. ROOT. Yes, sir; and that commission can do it. You might have to call on bayonets to back the commission, and if they are called on to back the commission, why not use bayonets to back the statute?

#### BAYONETS MAY BE NECESSARY.

The CHAIRMAN. I hope we shall not have to use bayonets.

Mr. ROOT. You do not hope so any more than I do; but if this condition of things continues in the way it has been bayonets will only settle the question. The commission system has not proved beneficial. They have not obeyed the commission. In other words, I will state that there is no commission in the United States that I know of that has plenary power to enforce its decrees. If you will create a commission with an executive power to enforce its decrees, and get a commission that will act, the whole thing is solved. But the trouble has been to get a commission that will act. I believe New York is in a dilemma now because she has to have a commission to see that the acts of another commission are enforced. They have a commission for the purpose of seeing that a commission will do its duty. How long are you going to run this commission system, if that is the case?

I believe that I have answered the fifteen questions, so far as my little opinions about it are concerned.

#### CHARLES FRANCIS ADAMS' STATEMENT.

CHARLES FRANCIS ADAMS, president of the Union Pacific Railroad Company, appeared.

The CHAIRMAN. You are aware, I believe, of the work attempted by this committee, and its purpose in traveling about the country. We have been anxious to meet you at some point, and are very glad that you happen to be here to-day. We would like to hear you on the question of what Congress should do looking to the regulation of commerce between the States.

Mr. ADAMS. Mr. Chairman, I have already, on more than one occasion, expressed my views as to what Congress should do. Since expressing them, I have seen nothing which would lead me to change those views. On the contrary, I have become more and more convinced of their soundness. I appeared before the Committee on Commerce of the House of Representatives when it was preparing a bill to regulate interstate commerce, I think, three years ago. I was then arbitrator of the joint executive committee, Colonel Fink's association. I appeared as representing

that association, and what I said was printed in pamphlet form. I should be very happy to send to each member of your committee a copy of my remarks, in which I expressed my views a great deal more clearly than I could express them now; for the whole subject had then been freshly considered by me.

Once or twice since then I have reiterated my views at different places. I should be happy to send copies of whatever I may have said, and put in print, to the committee. The committee would there find my views much more carefully expressed than I should be able to express them sitting here and talking.

#### THE MASSACHUSETTS COMMISSION A HAPPY BLUNDER.

The essence of the whole is, and my practical experience as a railroad man has convinced me more and more of it. I am satisfied that the State of Massachusetts sixteen years ago, by what was at the time nothing but a happy guess, hit upon the true theory of legislative dealing with this question.

The Massachusetts railroad commission was created only after several years of discussion; and the legislature was so afraid of its own experiment that it carefully refused to give the commission any power. All the commissioners could do was to examine, report, and recommend, thus having recourse to public opinion.

#### A COMMISSION WITH FEW POWERS.

It so chanced that I was put on the commission when it was organized. At first I thought we could do nothing, and that all we could hope for was to cause the community to acquire some confidence in us, and then we might by degrees be given what I considered the necessary powers. But, as we went on working year after year, I came to the conclusion that it was most fortunate we had no powers. We accomplished more without power; and finally I was led resolutely to oppose, session after session, the legislature giving us larger powers, for I found that in dealing with the railroad companies all that was necessary to bring about the results we desired was an intelligent appeal to reason and to public opinion. This worked well in Massachusetts; so well that, as I have said, I always looked with great dislike upon any new powers being conferred upon us. I attributed the success we met with to the fact that our only organs of agitation were investigation, publicity, and public opinion. Whatever success the Massachusetts commission met with was, I think, due to that cause.

The CHAIRMAN. Have you believed all this time that if you had been given power you would have failed?

#### METHODS OF MASSACHUSETTS COMMISSION.

Mr. ADAMS. That would have depended on the discretion with which we used our power. I can only say I am very glad we did not have the power. I think we achieved better results without it than we would have been likely to achieve with it.

It was "cheap law" brought directly to the people's doors. Any person could have a hearing merely by sending to the commissioners' office a postal card calling attention to an alleged matter of complaint. Often we had very elaborate legal hearings. The result of those hearings was that we either dismissed the case for grounds which we stated to the



complainants, or else we made a public recommendation to the corporations, with reasons given. I do not think I remember a single case where as a result of this course of procedure a remedy was not reasonably attained—I will not say absolutely attained, because that is a great deal to say—but reasonably attained.

I went before the Committee on Commerce of the House of Representatives when they were discussing the "Reagan bill," so-called, and I endeavored to submit a measure of like character to the committee as being in my opinion what Congressional action should tend toward; that is, an organized appeal to publicity and public opinion, based on the principle that what was wrong was untenable, and could not long be maintained, if once proved to be wrong in public discussion. I succeeded in convincing the majority of the committee, for they reported my bill; but I did not succeed in convincing Mr. Reagan, and he, unfortunately, had the House with him on the general principle of anti-monopoly, whatever that may mean.

The CHAIRMAN. That was three years ago?

Mr. ADAMS. Yes; that was three years ago. I had a long discussion with Mr. Reagan privately, but I failed to convince him. The bill I suggested is now upon the files of the House of Representatives. I think Mr. Reagan and one other member of the committee reported his bill.

The CHAIRMAN. And carried it?

Mr. ADAMS. No; they did not get it to a vote that year. This year they carried it through the House. I declined to appear before the committee again.

The CHAIRMAN. Do you believe the same results could be worked out in any other portion of the country by a commission without authority that was worked out by your commission in Massachusetts?

Mr. ADAMS. I do not see why not.

The CHAIRMAN. There seems to be a good deal of feeling in the State of Nebraska that there is great wrong done the people by the railroad companies in the transportation of freight, and that the commission in the State has very little absolute power and amounts to nothing. Do you differ with them on that subject?

#### DIFFICULTY OF THE RAILROAD PROBLEM.

Mr. ADAMS. I am inclined to think that they will find as they go on that this question is more intricate and difficult of solution than they now suppose. I know I found it very much more difficult than I had supposed when I began on it.

The CHAIRMAN. In dealing with it either as a commissioner or as a railroad president, you have found it so?

Mr. ADAMS. In any capacity. I have approached it now from both sides, and am prepared at least to assert that if it is to be easily dealt with some one of far keener insight than I and with far greater powers of labor is needed for the work.

The CHAIRMAN. There are a great many men in this country, and pretty strong, able men, too, who believe that there must be a law by Congress regulating interstate commerce, prohibiting pooling, prohibiting rebates, requiring publicity of rates, and some kind of legislation upon the long and short haul question, and some provision requiring a uniform classification of rates, &c. We would like to hear you on these general subjects.

Mr. ADAMS. I think the committee will find, when they undertake to formulate a law covering those points, that they have a heavy contract on their hands.

#### POOLING.

So far as pooling is concerned—a subject I see a good deal discussed—pooling, as I regard it, is a mere makeshift. It is an attempt on the part of the railroads to hold in check a natural law which would result in the survivalship of the fittest. If competition worked with its full severity, and legislation put a stop to all pooling, saying absolutely to the railroads, “There you are, and you have *got* to compete”—and this I take to be the object of the proposed law—I do not suppose there would be at the end of two years more than three or four leading corporations in the country that would not be in the hands of receivers. It would be the condition of affairs now temporarily existing in New York between the Central and West Shore roads perpetuated and made chronic by force of law. Everlasting warfare among railroads would be provided for by statute. The thing is absurd and unworthy of discussion. Of course the railroads would in some way agree to divide traffic, and to divide traffic is to pool it. But supposing the pooling or division of the traffic effectually forbidden by law; then, so far as I can judge, the natural result would follow, a result which I for one do not object to at all, though it would be attended with immense waste of wealth and would wipe out of existence forms of securities which in amount probably would far exceed the national debt of the country.

The result would be that, as the companies became bankrupt, those who got possession of their properties would combine and consolidate them, and you would have one railroad corporation in the country in the course of a few years which, as compared with the corporations you now have, would occupy about the position the Western Union Telegraph Company occupies among telegraph companies; that is, one wholly predominating company. In other words, the legislation intended to prevent the pooling of traffic and insure competition, would produce exactly what it was meant to prohibit. The railroads would be pooled themselves, and competition would be done away with through consolidation.

#### THE SURVIVAL OF THE FITTEST.

The railroad company which would be evolved from this process would probably operate 60,000 miles of road and would be represented by hundreds or thousands of millions of capital. It would exercise an enormous power. This would be the natural survivorship of the fittest.

It is to prevent that law of the fittest working with the force with which it would naturally work, and it was the dread of being wiped out of existence by that law which caused railroads to have recourse to what is known as pooling, which is merely an agreement to establish and maintain rates and to divide the business as nearly as possible as it would naturally flow. Pooling is a makeshift, and cannot last. It is an attempt to set aside by agreement the natural law of the survival of the fittest.

The CHAIRMAN. Without any constitutional power to support it?

Mr. ADAMS. Without any constitutional power to support it. In order to secure so far as may be what you desire—that is, to preserve competition and prevent this consolidation into great corporations—the course that Congress should pursue would be the exact opposite of

what is now suggested. Congress should legalize pooling, and impose a heavy penalty on any violation of pooling agreements. That would keep the weaker corporations alive and prevent their being absorbed by the large ones, as they inevitably soon must be the way things are now going on.

#### THE PRESENT SITUATION SERIOUS.

In short, I do not hesitate to say that I regard the railroad situation at present as very serious. The pooling system, as represented through Colonel Fink's organization, has broken down, at any rate for the time being. The pooling system depends upon confidence among railroad men that they will maintain faith with each other, and observe their agreements. Unfortunately there has been no time in the history of the railroads of this country when among railroad managers the want of faith and confidence in each other was so great as to-day.

The CHAIRMAN: They have little faith, while they need a great deal?

Mr. ADAMS. They need a great deal. Consequently, there has been no time when agreements were so little observed as they are at present. Our general traffic manager, Mr. Kimball, can tell you about that better than I. But, as I see it, there has been no time in our railroad history when the process of disintegration has been going on more rapidly than now. Perhaps that is due to the business conditions of the country, but I think I am not wrong in my general statement of the case. Am I, Mr. Kimball?

Mr. KIMBALL. No, sir.

#### THE EFFECT OF BUSINESS DEPRESSION.

The CHAIRMAN. The depression works as an influence to make the roads disregard their agreements, and to cut rates so that they can get freight at any price. Is that your idea? •

Mr. ADAMS. Yes; and it is always noticeable, I think, that faith is kept rather less when business is poor than when it is good. Consequently, when business is poor, as at present, railroads proceed on the principle that no bread is better than half a loaf. They destroy the half loaf by the cutting process.

But recurring to the matter of pools and their proposed inhibition by statute, I should unhesitatingly say that the pooling system has been of great service to the public, so far as it has gone. Indeed, it has been of far more service to the public than to the railroads. I think it has prevented in some degree the terrific work of competition.

#### EFFECTS OF RAILROAD COMPETITION.

It may produce good in the end; but railroad competition, as necessarily practiced, causes for the time being the wildest discrimination and utmost individual hardship. That is, under its operation you will always find certain points, when there is a war of rates going on, which have enormous advantages conferred upon them, which advantages are not and cannot be extended to other points. The point, therefore, which is not influenced by the war of rates suffers terribly. Its business is destroyed. How the business community, under the full working of railroad competition, can carry on its affairs I cannot understand. I had not been able to understand how it could do it before I became president of a railroad, and I do not understand now. The business man never knows what railroad rates are going to be at other places, or

at different times. He cannot sit down and say "I can count upon such a transportation rate for such a period of time, and make my arrangements accordingly." He has to say, "I cannot tell to-day what the transportation rate is going to be to-morrow, either for me or my competitor." This must be just so long as uncontrolled competition exists. It cannot be avoided.

#### POOLING EQUALIZES AND STEADIES RATES.

The effect of pooling has been to equalize and steady rates. It has never been able to hold the rates up. Owing to the natural force of competition here, there, and elsewhere, as the history of railroads will show, a steadily decreasing rate has been the rule year after year, until now the rate of transportation in this country is unquestionably lower than in any other country in the world; and the rate has been coming down and down, until I do not see how any further considerable reductions can be made and the machine be kept running.

The CHAIRMAN. There seems to be a very considerable difference in the freight rates between here and Chicago, and between Chicago and the East. You know that is true?

Mr. ADAMS. Undoubtedly it is true. It has to be so.

The CHAIRMAN. Why?

#### CONDITIONS REGULATING RATE-MAKING.

Mr. ADAMS. Because the cost of movement of freight depends largely upon its volume and regularity. I will give you a case in point. We have a very good business in bringing down paving stones from Colorado for the streets of Missouri River towns. That traffic cannot pay us much, because, in the first place, the price of paving stones has to be very low. In the second place, we have to bring them in competition with the same article from some place, perhaps, in New York State.

If we have a quarry at one end of the line, and a steady down grade to large cities on the Missouri River at the other end of it, with a haul of 600 miles, we can load our empty cars at our convenience with these pavers and carry them down at a very low rate; especially as in that case we can dump them in yards at the place where they will be used and let them wait there until they are in demand. We can thus move a vast quantity of freight at our own time, without regard to demand, and rely upon its being ultimately wanted. Now, let us suppose a case of some town 100 miles away from the main line, upon one of our branches, with a very light traffic, wanting at a given time a single car-load of paving stones, very likely we have to send a car up to the quarry to be loaded. It then has to be hauled down to the point of junction, there switched off and hauled as part of a very small freight train to the point of destination. The car may be detained there one, two, or three days in unloading. It then has to be hauled down empty to the terminal point. You see at once that there is no comparison between the two cases. The low rate which would give us a small profit in the one case would imply a ruinous loss in the other. It is just so in regard to the grain business. The Union Pacific picks up its grain here and there, a car-load or two at a time, at outlying points. The business comes to us in dribblets; or, if we receive it at Omaha in a large volume from the connecting roads from the East, we then distribute it in dribblets among local points upon our main line or auxiliary system. When you get east of Omaha, and still more when you get east of Chicago, there is a

large volume of traffic between fixed points, as, for instance, between Omaha and Chicago, and between Chicago and New York; yet even the trunk lines cannot afford to do the business at the rates at which they are now doing it.

#### BESSEMER STEEL RAILS.

The CHAIRMAN. Do you think they are actually carrying freights to the sea-board at less than cost?

Mr. ADAMS. Nothing has saved the railroad companies from bankruptcy before this but the fact that Bessemer discovered the steel process. Under the old iron-rail system we should have been bankrupt years ago. One hundred dollars per ton, or \$10,000 per mile, was the old price; but now, instead of buying iron rails at that price, and renewing them once each four or five or six years, we buy steel rails at \$3,000 per mile, which last fifteen years. The economy thus effected has saved the companies up to this time. The reduction of rates, as I see it, has now overtaken the reduction in expenses, and we have no longer a margin of new economies to work on. We have accordingly reached a point where, in many branches of traffic, the railroads are not getting back a new dollar for the old one. To put it in another way, a race has for years been going on between the commercial or rate-making department of the railroad system and the operating department. Those in charge of the latter have been called upon to make good through economies the constant tariff reductions of the former. Owing to improved processes they have up to this time been able to do so; but there is a limit to economies, while there is no limit to reductions of tariff. All the railroads, for instance, between Chicago and New York have this season moved an immense tonnage at 3 mills per ton per mile; and the Pennsylvania road has regularly carried emigrants from the sea-board to Chicago at \$1 each, or 1 mill per mile. This is doing business at less than cost. In other words, the reductions made by the traffic department have outstripped any economies which the operating department can effect. The stress on the operating department is thus becoming unbearable. The situation is rapidly getting beyond control. The traffic department has apparently supposed that there was practically no limit to the reductions which could be made in the cost of railroad service. It will certainly be found that there is a limit to those reductions. My own impression is that in many cases the limit is now about reached.

Senator PLATT. You are now referring to the traffic between Chicago and New York?

Mr. ADAMS. Yes; to that more particularly. Yet the same influences are at work generally, though elsewhere the results are not so pronounced.

The CHAIRMAN. What is going to be done?

#### NO APPARENT REMEDY.

Mr. ADAMS. I do not know. That is indeed a conundrum. I have not seen the gentlemen responsible for the so-called trunk lines for several months. When I did see them last they were assembled in Mr. Fink's office. It struck me as a somewhat funereal gathering. Those composing it were manifestly at their wits' ends. They evidently felt, one and all, that something had got to be done; yet no one knew what to do. Everything had been tried; and everything had failed. Mr.

Fink's great and costly organization was all in ruins, and no one felt any faith in new experiments. Yet if events were allowed to take their course unchecked the result was inevitable. They all reminded me of men in a boat in the swift water above the rapids of Niagara. They were looking one at another in blank dismay, and asking "What next?" and no one could tell what next.

The CHAIRMAN. Can the Government help them?

Mr. ADAMS. No.

The CHAIRMAN. No one can help them?

Mr. ADAMS. No.

The CHAIRMAN. And they will have to go ahead?

Mr. ADAMS. Yes; they will have to go ahead. What it will result in I do not assume to predict. I do not want you to suppose that I believe a great railroad catastrophe is imminent. I believe nothing of the sort. Great bodies move slowly, and it may, and probably will, take years for the forces now at work to produce final results. During those years all sorts of experiments will be tried, and there will be ups and downs. Yet, taken altogether, the natural forces at work will, I am confident, be found much beyond the control either of the Government or of the railroad men themselves. What it will all result in I cannot pretend to foretell, but I have no faith whatever in the Government either as a controlling force or shaping influence.

The CHAIRMAN. This condition of affairs is the result of the railroad managers' own conduct?

#### THE UNCONTROLLED LAW OF COMPETITION.

Mr. ADAMS. It is a result of their own conduct in great degree; but it is also the result of the uncontrolled law of competition operating under new and unprecedented conditions.

The CHAIRMAN. You say the "uncontrolled law of competition." Should there be any law to control competition?

Mr. ADAMS. I do not think competition can be controlled by human law. I think it is quite beyond it. So far as my observation goes, the only effect of human law in such cases is to aggravate the difficulties it was meant to remedy.

The CHAIRMAN. Is there anything that Congress can do looking to the regulation of commerce between the States that will be of public utility?

#### A COMMISSION TO OBSERVE AND RECOMMEND.

Mr. ADAMS. I have always thought that if Congress would provide for a commission of men who were at once honest, intelligent, and experienced, whose business it should be to observe this question very much as a physician would observe the progress of disease, the results of their observations might be of value in leading gradually to the building up of legislation. But beyond that I do not believe it would be within the power of human wisdom to formulate a law which would greatly affect, except to impede and hamper, the present course of events. I think such a commission could observe the condition of affairs, and very likely a system of law would gradually build itself up, as the result of experience and observation, which would be of value; but it would take time.

The CHAIRMAN. A physician observing the condition of a patient would not do much good unless he could cure him.

Mr. ADAMS. He might prevent mistakes being made in treatment in

the first place; and now and then there are phases in disease when a good physician can see what is necessary, and apply a remedy; but I do not think a quack coming in with his panaceas and nostrums would greatly help the patient. That is the difficulty with legislation. I have never seen a railroad bill to remedy railroad ills brought in (and I have seen a great many) that a skilled railroad counsel could not tear it to pieces and show that it would operate in many ways that had not been foreseen. This was so much my own experience that years ago I gave up trying.

The CHAIRMAN. How do you think it can be done?

#### RAILROAD LEGISLATION OF ENGLAND INEFFECTUAL.

Mr. ADAMS. I think it cannot be done at all. The Parliament of Great Britain has been passing bills for half a century, but no result has been accomplished.

The CHAIRMAN. You think they have been of no public utility?

Mr. ADAMS. I might say none whatever. The natural process has gone on in spite of legislation, working by its own laws, until certain results have been produced which are now obvious to all, but which were not foreseen.

The CHAIRMAN. What are those results?

Mr. ADAMS. So far as they are yet developed, it seems to be a survival of the fittest; that is, the strongest and best managed corporation gradually controls the territory.

The CHAIRMAN. Is it your judgment that the legislation of Great Britain looking to the control of transportation has been of no service?

Mr. ADAMS. That was practically the conclusion at which the parliamentary committee of 1872 on railway amalgamation arrived. The report of that committee was, I think, the ablest document of the kind I remember to have read. The committee reviewed in detail the legislation of forty years. There was a quiet sarcasm running through their report as they dismissed one theory upon which legislation had been based after another, remarking of each that the evils anticipated had not developed themselves, or that the remedy proposed had proved a complete failure. Meanwhile during these forty years everything that legislative ingenuity has yet devised had been tried.

#### THE ENGLISH COMMISSION.

The CHAIRMAN. Well, did they go on recommending further legislation?

Mr. ADAMS. No. They recommended such a commission as I have suggested, which is now in operation in Great Britain, and from time to time very large powers have been given it.

The CHAIRMAN. The commission has large powers now?

Mr. ADAMS. Very large powers indeed. But they have been gradually given, from time to time, in the light of practical experience.

The CHAIRMAN. They have powers in the nature of a court now, I believe?

Mr. ADAMS. Yes. They issue injunctions, and have large mandatory power. The growth of their power has been gradual. I have not followed it, since I ceased six years ago to be a commissioner myself, with sufficient closeness to have any detailed information about it now. But, curiously enough, in England through the slow working of experience, exactly that which Robert Stephenson proposed as early as 1840

has come about. He then delivered an address in which he said that the railroad companies would not object to Parliament establishing a commission, provided the men composing it were honest, intelligent, and experienced, and vesting it with any powers that Parliament saw fit; the companies were perfectly willing to accept such action, provided only the commission established was one that could be depended upon for intelligence and honesty.

The CHAIRMAN. Leaving to them discretionary power to do as they chose?

Mr. ADAMS. Leaving to them the largest discretionary powers.

#### REBATES, DRAWBACKS, PUBLISHED NOTICE, AND UNIFORM CLASSIFICATION.

The CHAIRMAN. Suppose Congress were to pass a law, not interfering with pooling, but prohibiting the payment of drawbacks and rebates, except for the purpose of correcting errors—which would not be regarded exactly as the payment of a rebate, I suppose—and requiring publicity of rates and uniform classification, would such a law be obeyed?

Mr. ADAMS. For several years I struggled with the question of classification. It differs in different regions and under different circumstances. I should not take a great deal of interest in that proposition. As for the publication of rates, and the prohibition of drawbacks and rebates, if you could bring those results about, I should say you would confer a great boon upon the railroad corporations.

The CHAIRMAN. That is the testimony of a great many strong railroad men.

Mr. ADAMS. It would indeed be the greatest boon you could confer, because that would do away with this lack of confidence of which I just now spoke. If you could provide any way by which all freight and passenger agents could be absolutely debarred from making reductions from published rates, and from deceiving each other in some way or other while doing it, you would be very much more successful than I have been in my limited sphere. You would suppose that at any rate the president of a road would be able to get at the bottom of these things on his own road. I can only say that I cannot.

The CHAIRMAN. As president of your road, can you not manage your own men?

Mr. ADAMS. No; theoretically I can; practically I cannot.

The CHAIRMAN. You cannot control them?

Mr. ADAMS. No. But I want you to understand what I mean. I do not mean that I cannot issue orders, and I do not mean that in each individual case those orders will not be observed to a certain extent, but the freight agent and the passenger agent is under a terrible strain all the time. He is working for his living. He is judged by results. All the time he has to meet the sharpest of sharp practices. If he is successful, and gets what is called his "share of the business," that is all right.

The CHAIRMAN. It is all right, in the estimation of the company.

Mr. ADAMS. I of course mean in the estimation of his superiors. If he does not get "his share of the business" he is very apt to be told some day that his services are no longer required. Accordingly, he will have recourse to every conceivable evasion. "Smartness," as it is called, thus becomes the quality most highly prized, especially in subordinates. Honesty and good faith are scarcely regarded. Certainly they



are not tolerated at all if they interfere with a man's "getting his share of the business." Gradually, this demoralizing spirit of low cunning has pervaded the entire system. Its moral tone is deplorably low. This is the root of the trouble as it exists to-day. That healthy, mutual confidence, which is the first essential to prosperity in all transactions between man and man, does not exist in the American railroad service taken as a whole. Of course there are exceptions to this statement. But, as a rule, agreements are made only to be broken, and superior officials, under the fear of "getting left," as the expression goes, are constantly shutting their eyes to acts of cheating and evasion on the part of their subordinates, which are in direct disregard of solemn agreements those superior officials have themselves made.

#### HOW CONGRESS CAN HELP RAILROADS.

The CHAIRMAN. Do you not think it is the duty of the Government, if it undertakes to do anything at all, to keep on trying to prevent these sharp practices and discriminations which result from this irregular way of doing business?

Mr. ADAMS. If the Government could succeed in putting a stop to rate-cutting, so that the established rates should be maintained—and that implies the putting a stop to rebates and drawbacks—I can only repeat that Congress would confer a very great boon upon the railroad companies.

The CHAIRMAN. If you were to make it a criminal offense for one of your agents to pay a rebate secretly to a shipper he would not be so liable to do it, perhaps, as now.

Mr. ADAMS. I don't know. As I say, the devices that would then be resorted to in order to cover up the fact, or to prevent its proof, would, I fancy, puzzle the prosecuting attorneys.

Senator PLATT. How can a subordinate of a railroad management allow rebates or make concessions, unless they are finally sanctioned by the president of the road?

Mr. ADAMS. I can only say that, as president, I never have yet sanctioned anything of that sort.

Senator PLATT. But they have not come to your knowledge?

Mr. ADAMS. They have at times come to my knowledge.

#### DIFFICULTY IN PREVENTING DISCRIMINATIONS.

Senator PLATT. If they come to your knowledge, you must either sanction them or stop them.

Mr. ADAMS. The duties of a president of a railroad company are multifarious. There are various departments. In regard to things connected with the commercial department Mr. Kimball would be able to answer more perfectly than I am. But I know this: Wherever I touch these questions the practical difficulties which present themselves are very great. Accordingly I am very cautious what I do.

Senator PLATT. I do not mean absolutely the president of the road, but the president and those associated with him in the general final management of the road. A subordinate at a distant point could be very ingenious in allowing a concession. We will agree to that. But finally that rate must pass under the observation of some men at headquarters who sanction it in order to have it effective, it would seem to me. I may not understand the practical difficulties.

Mr. ADAMS. Some time ago Mr. Fink was one day asked for what purpose he had called a meeting of the presidents of the trunk lines. He

replied that he had called them together for the purpose of inviting them to resign their offices and put the general freight agents in their places. The freight agents, he said, really controlled the companies, and they ought to be in their proper positions. He was entirely right. If, under the working of this uncontrolled competition the president of the company were to issue an order of the severest description against every reduction of the established rate, as I have many times thought should be done, he would assuredly soon find himself drawn into complications which he had not foreseen, and which would entail on his company and its patrons injury for which he would not care to be responsible.

Senator HARRIS. Still in respect to rebates, if I understand what a rebate is, the transportation company collects the freight bill at a given rate and it refunds to the shipper a certain part of that rate?

Mr. ADAMS. That is the process.

Senator HARRIS. Certain it is the books of the company will show the gross rates.

Mr. ADAMS. Yes; they will show the gross receipts.

Senator HARRIS. Then the particular officer who has the custody of those gross receipts must have a voucher for every dollar less than the amount he has in hand?

Mr. ADAMS. Yes, sir.

Senator HARRIS. That being the method of transacting business, must not the company know in every instance where a rebate is made, or have the means of knowing?

Mr. ADAMS. Yes.

Senator HARRIS. If rebates are paid, the company has full knowledge of the fact that they are paid?

Mr. ADAMS. Undoubtedly.

Senator HARRIS. And the extent to which, and the persons to whom they are paid?

Mr. ADAMS. Undoubtedly.

The CHAIRMAN. So that if the managers of the company condemn the practice, it would seem as though the agents would have to quit it.

Mr. ADAMS. They would have to quit the practice, if the rebates were charged against their salaries.

The CHAIRMAN. Do you not think that would be a pretty good thing to do?

Mr. ADAMS. It would be a good thing to do; but the difficulty would be that the line doing it would very soon have no business, and those doing business on its line would have to go elsewhere. A railroad has to earn an income. It sees traffic leaving its line. Its officers from highest to lowest know why the business is leaving. It is being bought away. Through methods not apparent on the surface or susceptible of proof, inducements are held out to shippers to employ other lines. The result follows. The president or traffic manager is under the strongest possible inducement to ignore the act of his subordinate who secures the business at current rates.

The CHAIRMAN. That would not be the case if all the roads did the same thing?

Mr. ADAMS. Undoubtedly it would not. That is what we are all trying to bring about, but never succeed. If you can frame any bill to produce that result, a bill under which charges would be published and known to all men, and no rebates would be paid and no means of influencing business allowed, you will confer, as I have said, a very great blessing both on the railroads and on the country as well.

The CHAIRMAN. Congress can do something, if the railroads will help.

Mr. ADAMS. So far as I am concerned, I should certainly be most ready to aid you to the full extent of my power.

#### PUBLICITY OF RATES AND REBATES.

The CHAIRMAN. But not if the railroads are going to take the position that there is nothing that Congress, or any other legislative authority, can do.

Mr. ADAMS. You will have very great difficulty at the outset in establishing publicity of rates.

The CHAIRMAN. Why?

Mr. ADAMS. They have to vary at different places and at different times. I will state one case in point. We have a given rate for the transportation of ores. It is no more than affords us a fair compensation for doing the business. There is a camp which produces very low-grade ores. I say to the general traffic manager, "That traffic is of importance to us, and it is better for us to carry it at a loss, by means of a rebate on the general rate, than to have the mines close up and so destroy the camp. To the camp we carry the miners and their families, we carry everything they eat and drink and wear; and we carry out the ore. We make something on the camp generally; and therefore we cannot afford to let it close up, if by a reduction in our rates—even though we reduce them below the paying point—we can keep it alive." One would say that this was sound business reasoning. But if we could not allow a rebate we could not do this thing, for we could not afford to make that reduced rate general. We should go to pieces if we did.

Senator HARRIS. Suppose the transportation companies fix their rates upon the various grades of freight, and in the particular case you put you fix the rate on ores to suit the emergency surrounding that particular transaction or that particular place. Is there any reason why that rate, as well as every other rate, may not be made public?

Mr. ADAMS. That would be in the nature of a rebate, which you say would be forbidden under your proposed law.

Senator HARRIS. It would be in the nature of a special rate, but not quite a rebate as I understand rebates.

Mr. ADAMS. The difficulty you would meet in the case proposed would be that other camps differently situated, and other communities where the burden was not the same, would say they were discriminated against. So they are. Under exceptional circumstances, essential to the life of a given community, you are carrying out freight at a lower rate than is charged to any other community. The only answer would be, that, if you did not do so, the community in question could not live.

Senator HARRIS. You are thus trying to break down with your railroad this law of the survival of the fittest, and yet you do not think the Government ought to break it down.

Mr. ADAMS. That is perfectly true. That is one of the make-shifts to which we have to resort in order to keep the business alive. Your criticism is just.

#### DISCRIMINATION.

Senator PLATT. If you try to do it, why should not the Government take a hand in it?

Mr. ADAMS. If the Government will take a hand in it and say "There shall be no discrimination" the rule would then be perfectly simple.

It would say to both community and railroads, "There is a rate, and you will have to live under it or die." I am not prepared to say that such a system would not be better than our present system. There would then be no talk of reducing rates, and that would certainly be a relief. Nevertheless, such a simple, iron rule does not commend itself to my judgment. In practice I fancy it would fail to work.

Senator PLATT. I hardly think you would go to the extent which some people go to—you may call them scientists or economists—who place so much stress upon the law of the survival of the fittest that they think it is not worth while to prevent its speediest culmination?

Mr. ADAMS. I have been trying to interfere with it for five years to the best of my ability, through this pooling system. That is my answer to the question. And I have not succeeded very well. We have undoubtedly held it in check somewhat. Whether we have helped matters in the grand result by so doing I am not clear. I have indeed grave doubts on that head.

Senator PLATT. Has not our advance in civilization been largely due to the fact that we have in one way and another by legislation been interfering with the absolute working out of that law of the survival of the strongest?

Mr. ADAMS. That is a question which I should not care to now enter into; I do not know how far the discussion might lead us. I can only say that I have been practically endeavoring for several years, so far as I could, to hold the law of survival in check; I am still doing so. This whole pooling system you propose to put a stop to is nothing but an attempt to hold it in check, and to enable the weaker to live; but this I have already said several times already.

Senator PLATT. A full recognition of the doctrine of the law of competition and of the survival of the fittest is about equivalent to saying that might makes right, is it not?

Mr. ADAMS. We seem to be drifting into a general philosophical discussion which is apart from the question. Might certainly does not make right, but natural law works in many ways, and it very often works extreme hardship and cruelty to individuals.

#### GOVERNMENTAL CONTROL.

Senator PLATT. But you take a very gloomy outlook of the result, unless you say it is going to be a favorable result to have the whole country controlled by one immense railroad corporation?

Mr. ADAMS. I am not prepared to say that such a result would work any evil.

Senator PLATT. Does not that view of the situation and the probable outcome of it, point the argument of the men who say that really the Government ought to take control of all the railroads?

Mr. ADAMS. I have discussed that matter very elaborately in previous years, probably more so than any other person in this country. What the process of time may evolve I am not prepared to say, nor do I care to discuss it here, for it is too large a question. Undoubtedly the relations between the Government and any corporation which may in future absorb the present fragments of the whole railroad system would have to be very close. How close I am not prepared to say. You see the principle at work to-day. The question has risen as to the Western Union Telegraph system. There are already bills before Congress for a postal telegraph. The railroads are, as I take it, some twenty or thirty or forty, or perhaps fifty years behind the telegraph, but always working

in the same direction. They are, I should say, about as much behind as the railroad system is more complex and more costly than the telegraph.

The CHAIRMAN. So that you think the tendency of things is that the Government will control both the telegraph and railroad systems of the country?

Mr. ADAMS. I am not prepared to say that. I think the tendency is towards what you suggest; that is, a closer relation between the railroads and the Government. But I think that a preliminary step will have to be a very general consolidation of the railroad system in private ownership. My opinion has not changed on that point for many years. I think, also, the Government would have far less difficulty in dealing with a large railroad corporation in private ownership than with a number of comparatively small ones. The smaller ones are like a parcel of twigs. You can do nothing with them. On a large one you can concentrate public opinion or law if need be. It is the small corporations that are difficult to deal with, not the large ones.

#### LITTLE PROFIT IN RAILROADS.

Senator PLATT. You speak of the controversy which is going on about railroad companies, which is apparently tending towards the destruction of the weaker companies. Is that true to any great extent as to the companies west of Chicago?

Mr. ADAMS. Decidedly.

Senator PLATT. It is not represented in the reduction of the price of their stock as it is in the reduction of the price of the stocks of the Eastern companies, is it?

Mr. ADAMS. I do not understand your question.

Senator PLATT. The capital stock of the Chicago, Burlington and Quincy, the Chicago, Rock Island and Pacific, and kindred roads, have a market value to-day which does not seem to indicate that they are suffering more than they would naturally suffer from the depression of business?

Mr. ADAMS. You have mentioned only a few companies. I think if you will take the Denver and Rio Grande you will find that it is suffering under the difficulty I have mentioned. I could mention others. There is not a railroad company in Colorado to-day, according to my opinion, that is earning any considerable income for those who operate it. The Central Pacific and the Pacific system show signs of weakness. If you go down into Texas and that region, I have been told (whether correctly or not I do not know, for I am not familiar with the facts) that none of the railroads there are operated at a profit.

Senator PLATT. That was hardly to be expected from the conditions under which they were built.

Mr. ADAMS. I know nothing of that.

Senator PLATT. It was not expected that they would become at once profitable.

Mr. ADAMS. I am merely answering your question as to the roads west of Chicago.

Senator PLATT. This is true; but there has not been any such reduction of rates west of Chicago as east of Chicago?

#### CONSTANT REDUCTION IN RATES.

Mr. ADAMS. I think there has. The reductions in rate on the Union Pacific, since I have had to do with it, have alarmed me, they have been at once so incessant and so heavy.

Senator PLATT. Do you mean rates for through business or for local business?

Mr. ADAMS. For all business. Mr. Kimball can answer better than I. But I am under the impression that within the last year and a half all our rates have undergone a reduction of something like 33 per cent.

Mr. KIMBALL. From 25 to 33 per cent., taking the average.

The CHAIRMAN. What proportion applies to the long haul out of the State?

Mr. ADAMS. I cannot tell. Your question enters into details.

The CHAIRMAN. Can you answer that question, Mr. Kimball?

Mr. KIMBALL. About the same average reduction applies to our local as to our through business.

Senator PLATT. If we can judge from the testimony of some who have appeared before us, those rates have not been reduced so much as to allay the irritation in Nebraska.

Mr. ADAMS, I hardly dared anticipate that. I should scarcely hope for such a result as that from any rate we could make.

Senator PLATT. I assume that in your position as a railroad man you want to do what is just and right toward the people?

Mr. ADAMS. I have been anxious to do that.

#### HOW TO PRODUCE FRIENDLY FEELING TOWARD RAILROADS.

Senator PLATT. I judged that from my knowledge of your former writings, and my knowledge of your efforts since you have been president of the railroad. But the people believe that railroads still practice injustice. Is there not some way by which the railroad managers can meet the people—I refer to those who at heart mean to do right—and settle that question by discussion?

Mr. ADAMS. I think there is.

Senator PLATT. So that the railroad managers shall either largely convince the people that they are wrong or the people shall convince the railroad managers that they are wrong?

Mr. ADAMS. That is the Massachusetts system. There they have the board of commissioners before which the two parties met all the time. The law was that in every case the commissioners should report their findings, with their reasons therefor.

Senator PLATT. And the railroad commissioners of Massachusetts told us that those findings were universally acquiesced in.

Mr. ADAMS. I believe they very generally are.

The CHAIRMAN. The people also told us that.

Mr. ADAMS. That is my understanding.

The CHAIRMAN. We did not find a person in Massachusetts who did not agree to that.

Mr. ADAMS. I was ten years at the head of that board, until I concluded that I had done all the work I could do there with profit, and so went elsewhere. The system was then shaped. It consisted of investigation, followed by distinct recommendations, together with the reasons on which the recommendations were based. Whatever success we had was due, in my belief, to the fact that we had to have recourse to reason and not to force. No railroad company in America, no matter how large or arbitrary it may be, dares long refuse to do that which can be shown to be reasonable. Railroad men are very amenable to education. Like other men they stand in great dread of publicity, and they wish to make their lines popular. In Massachusetts the law compelled us to work on these lines, and, as I have said, I regard the Massachusetts railroad-commissioner law as a most happy legislative guess.

The CHAIRMAN. It worked out thoroughly friendly relations between the people and the railroad companies?

Mr. ADAMS. It certainly greatly improved them.

#### THE COMMON LAW OF RAILROADS.

Senator PLATT. The common law of railroads is well established that you must not give to one man any better rates than you give to another man under similar circumstances?

Mr. ADAMS. The similar circumstances is the gist of the proposition.

Senator PLATT. That I understand to be the common law of railroads.

Mr. ADAMS. Yes; but the weight of it lies in the words "similar circumstances."

Senator PLATT. Do you or not think that that result might be reached, if the common law were enacted in some way into a statute, with machinery for securing an observance of the statute, better than by leaving all parties to their own remedy in courts?

Mr. ADAMS. I do.

Senator PLATT. A difficulty arises in making a declaration of the common law principle, I suppose?

Mr. ADAMS. I think you will find difficulty; but Rome was not built in a day, and I do not believe that a system of laws under which the people of the United States and their railroad system are to grow and prosper together, the rights, duties, and obligations of each being defined and regulated, I do not, I say, believe that this system of laws will result from the labors of any one Congress, or indeed of ten Congresses. A body of legislation of any permanent value has got to grow up slowly. The railroad system of to-day is the growth of fifty years, and of all sorts of influences working to and fro and across and athwart. Yet Congress and the State legislatures are continually trying to evolve something like Mr. Reagan's bill, that will settle all the difficulties connected with it at once, so that the patentees of the measure may be able to say, "There, that job is done; now let us go at something else." It cannot be. On the contrary, if you really desire to reach any satisfactory and permanent results, you have got to begin with observation. A patient, prolonged and thorough study of the facts, conducted by specialists, has got to precede legislation. Such a study will, I admit, take time. All good work takes time. But I am very sure that what you want is not going to be evolved ready-made out of the brain of any one man, or of any committee of men.

#### A NATIONAL COMMISSION.

Senator PLATT. We have some practical results in Massachusetts for which we are largely indebted to you. Without indicating what my view is, or what Congress should or should not do, suppose we were to take the Massachusetts law, which is of very small compass, and create this commission. The Massachusetts law is a law against discrimination and improper preferences, and, in addition, is a positive enactment of the short-haul law, as it is called. Suppose Congress enacts just that law, and provides a commission. Is there any reason why it should not work out as favorable results in relation to interstate commerce as it has in relation to State commerce in Massachusetts? Those results are, that the complaints of the people are heard, and if they are found to be reasonable complaints the railroad companies accede to the findings of the commissioners.

Mr. ADAMS. I do not see why this should not be brought about.

Senator PLATT. That will be a great step forward.

Mr. ADAMS. It would be a step. But in order that too much might not be expected at once, I would say that Massachusetts is a small State. The problem as it presented itself there was comparatively easy of solution. In the case of the country as a whole the difficulty would be proportioned to the size of the field of operation. Still, you would be on the road to good results.

Senator PLATT. In other words, your idea is, with reference to any legislation which Congress may adopt in regard to this subject, that it is better to be conservative and to go only as fast as our light shows it is wise to go at present, getting new light as we go on.

Mr. ADAMS. To use a homely phrase, in dealing with this subject, "The longest way round will prove the shortest way home." By building slowly, and as your lights grow, you will get along a great deal more rapidly than by trying to build the whole thing at once.

#### PROHIBITION OF REBATES.

The CHAIRMAN. No harm could grow out of a declaration in a law against rebates, could there?

Mr. ADAMS. A declaration in a law against rebates would be harmless, if you could only put a stop to rebates. But the difficulty I should apprehend would be the ingenuity which would be brought to bear against the prohibition in the strife for traffic. In all these matters a heavy penalty attaches to the honest observance of the law. The company which lives up to it will assuredly see its traffic stolen away by other companies which evade it. By such prohibitory legislation, therefore, you may, without intending it, find yourself putting a fine upon honesty and a premium on fraud. For, as I have already said, this business of rebates and drawbacks is by no means simple. The thing is done in many and devious ways. For instance, I will specify one favorite way of getting business through rebate which terribly annoys every railroad president. It is what is known as the free-pass system. A fair price is charged for the freight; and you give the man an annual pass for himself and his family and all his friends. It has been asked here whether the giving a rebate is not always known. Suppose our traffic manager, Mr. Kimball, here, says to a man, "I cannot give you a rebate; for it must not appear on the records of the office; but issuing passes for passenger traffic is a different thing; there is no account kept of them, except as to the number issued. I can give you a pass for yourself and all your family." There has been no book rebate given in that case and no drawback paid. Nothing can be found out. So also rebates and drawbacks are given through change of time, place, and traffic. A large shipper—and it is to large shippers that rebates are made—may have to pay an apparently sustained rate between Chicago and Omaha, while he secretly receives his rebate on local shipments to Galena or Rock Island. Again, he may pay the sustained rate on one article and receive the rebate on another; or finally he may pay the full rate to-day and receive the rebate in some other shape to-morrow. All these things are done, and done habitually. But the free-pass system is the favorite method of influencing traffic, and that is resorted to almost as a matter of course. The average shipper is fast getting to look on a pass as his right, and he thinks more of it than of several fold its money value to him. The extent to which this abuse has grown is very alarming. It is still growing.



## THE PASS SYSTEM AN OUTRAGE AND ABUSE.

Senator PLATT. That is one of the things which might be remedied by positive law about as easily as anything else.

Mr. ADAMS. How would you go to work to remedy it?

Senator PLATT. By forbidding the issuing of passes.

Mr. ADAMS. If you would, in a way that will be effective, forbid the issuing of passes, I would agree at once to make a considerable reduction in our passenger rates.

Senator PLATT. Would you like to have it done, if it could be done?

Mr. ADAMS. Nothing would please me more. I should like to have a heavy penalty imposed for every pass issued. I do not, as a rule, like to work through legislation in these matters, but if you will pass a law prohibiting all free passes and subjecting to fine and imprisonment any man who signs a pass or any conductor who takes a pass up—

Senator PLATT. (Interposing.) Or any man who rides on a pass.

Mr. ADAMS. (Continuing.) Or any man who rides on a pass, it would make a happy day for railroads and railroad managers.

The CHAIRMAN. You would feel that one good step had been taken?

Mr. ADAMS. If effective, such a law would relieve us of one of the greatest annoyances, outrages, and abuses that now exist in connection with the railroad business.

The CHAIRMAN. And yet you feel that you are compelled in self-defense to issue them?

Mr. ADAMS. Our free transportation over the Union Pacific amounts to \$2,000 a day. I do not mean by that to imply that we give it away to that amount, because the carriage of our employes is included. Also very many people to whom passes are issued would never travel if they did not have a pass. Probably a very large percentage of the \$2,000 a day—I will not say whether 40 or 50 or 60 per cent. of it—is travel of the non-paying kind, but last week the return of passes sent in to me footed up \$14,000 in fares.

The CHAIRMAN. You think probably half of that would be to employes?

Mr. ADAMS. To employes and telegraph operators, and to all the innumerable persons in some way connected with the operation of the road.

Senator PLATT. Have not some railroads in this country largely cut down that business of issuing passes?

Mr. ADAMS. Ever since I have been president of the Union Pacific I have been laboring to cut it down. It has been one of the great annoyances I have met with, but I have been foiled at nearly every attempt.

The CHAIRMAN. People who have been in the habit of getting them still insist upon having them?

Mr. ADAMS. They not only insist upon having them, but the pass system mixes itself up with newspapers, politics, and everything. For instance, if to-morrow I gave an order that such and such a system of passes should be cut off I would be met with the answer, "Very well, our competitors give them. These people have been accustomed to having passes, and we will simply lose our traffic by refusing to give them longer."

The CHAIRMAN. That is said by whom?

Mr. ADAMS. By our freight agents. For instance, Mr. Kimball here would undoubtedly say just that to me.

The CHAIRMAN. And the merchants and farmers?

Mr. ADAMS. Mr. Kimball would say to me at once, "Very well, Mr.

Adams, I will obey your orders and cut off those passes, but the company will lose business."

The CHAIRMAN. Why would it lose business?

Mr. ADAMS. It would go by the other route which gave the passes.

The CHAIRMAN. Who is it that would say this to you?

Mr. KIMBALL. The shipper would say it.

The CHAIRMAN. Whether he was shipping merchandise or corn or wheat, or what not?

Mr. KIMBALL. Yes, sir.

Mr. ADAMS. The pass system is an outrage. There is no reason whatever why anyone should be carried free over a railroad any more than why he should be boarded and lodged free at a hotel, drive free in public carriages, or order goods without paying for them in shops. Yet, and especially in the West, things are getting to such a pass that no man who has money, or official position, or influence—especially political or newspaper influence—thinks he ought to pay anything for riding on a railroad. The company which flings about passes right and left is "liberal," the company which refuses to do so is "stingy," and it shall assuredly be made "red hot" for it when the legislature meets. That a large percentage of those who travel pay nothing merely means that the rest have got to pay more. A privileged, favored class is thus created; a class composed generally of those best able to pay, while the railroad companies have to make good the loss thus incurred by charging more to those who cannot afford to pay. For instance, I can afford to pay. I travel in two capacities. I travel at times in the service of the Union Pacific Railroad Company, and I travel at times on my individual business. I should pay my fare in both cases. When I travel on my individual business, it is for me to pay, and when I travel for the Union Pacific Railroad Company I should put in a voucher for my car-fares just as I do for my hotel expenses. But there is no reason why other roads should carry me for nothing simply because I am in the service of the Union Pacific.

Senator PLATT. You would find your views are the views of a large majority of the people of the States, if you could get them together in a town meeting?

Mr. ADAMS. Of course they are.

Senator PLATT. Yet in some way little or no legislation ever comes up to the point of saying that the railroads shall not issue passes?

Mr. ADAMS. I think possibly Mr. Kimball might explain why they fail to "come up." It is one of those things I do not pretend to understand.

Mr. KIMBALL. I would like to ask the Senator if he has ever been a member of a legislature?

Senator PLATT. If you do not issue passes to members of the legislature I do not see how the legislature can be corrupted so that they will not represent the will of the people.

Mr. KIMBALL. If they did not ask for passes they would not receive them.

Mr. ADAMS. It is inconceivable to what an extent this pass system has gone. You cannot understand what an outrage it is upon the railroads and upon the body of the public. I do not hesitate to say that, in my opinion, 10 per cent. or more has to be charged to those who do pay fares to make up for those who do not.

Mr. KIMBALL. That would be about right.

Mr. ADAMS. Neither is it any longer in the power of the railroad companies to correct this abuse, except through a combined action

which practically cannot be brought about. As I have said, the privilege of riding free is now looked upon as a right. The railroad company which treated it as the abuse and robbery of stockholders, which it undeniably is, would have to pay the penalty in numerous ways. The newspapers would lose no opportunity to assail it; it would be denounced everywhere as "illiberal," "stingy," "aristocratic, and autocratic;" it would have no standing among shippers or in the legislature or before juries. It would, in short, have no "friends." This doubtless sounds to you exaggerated, yet there is no experienced railroad lawyer or manager who, quietly and in private, will not tell you it is true. None the less, the railroad president who undertook on his individual road now to cut off this abuse, root and branch, thus setting an example, would simply prove himself a Don Quixote. He would be running a tilt with a wind-mill.

#### THE BASIS OF FIXING RATES.

Senator PLATT. I would like to hear you on another subject, which, if you think Congress should in no way fix the rates, may not seem to you very practical. All transportation charges are a tax upon the people, in a certain sense.

Mr. ADAMS. It is what trade pays for carrying things from places where they are not wanted to places where they are wanted.

Senator PLATT. It finally reacts on the great body politic. Suppose a road has been unconscionably built, and the constructors have made money iniquitously out of it, thereby increasing the expenditure. Suppose it has been overcapitalized, so that really the capital stock represents twice what it should; and suppose the stock and the bonds are now held by parties who were not parties to the wrong. What ought to be done, if Congress had the right to fix rates, in that case? Should Congress fix the rates upon a basis which would pay a reasonable return upon the money which ought to have been put into the road, or reasonable returns upon the money which is represented by its capital stock?

Mr. ADAMS. I should say in such a case there was but one rule to follow; you should treat that road as you treat every other road. I certainly should not give any advantage to it; but provided it does its business at the same rates that others do their business, I do not see how its capitalization affects the question. I should treat it with equal justice.

#### RAILROAD BUILDING A LOTTERY.

Senator PLATT. And let the dividends take care of themselves?

Mr. ADAMS. And let the dividends take care of themselves. There is one thing to be said on that subject, however, which I would like to suggest for your consideration. It is this: In railroads, as in every other business, the prizes have been looked to to make good the losses. There is a queer popular idea existing that railroad ventures are different from all other ventures. The man who puts his money into a railroad, it is argued, must be satisfied with a fair return on the capital actually invested. If he makes bad ventures, that is his affair; but if he makes good ventures, it is the affair of the public. Now, I want to suggest that this is not business. No man ever ventures into a trade which involves the full average of risk, and yet makes no return above a fair interest on any particular investment. That means simply ruin; the average number of losses, but no large gains to offset them. In

this country we have left the building of our railroads to private enterprise. No return on the capital invested was guaranteed. Heavy losses have been incurred, which the private investor has silently borne. Yet the public has this singular notion that, somehow, it is outraged and robbed if more than a fair return on the actual investment is derived from the fortunate ventures. I confidently submit that such an obvious fallacy would not receive an instant's consideration in any other branch of business. I do not for a moment deny that many railroads have been overcapitalized. It is equally clear to me that they will have, soon or late, to pay the penalty for it. But they should pay that penalty through the operation of natural laws. Overcapitalization, meanwhile, is merely the rough way in which the successes are made to offset the failures of the business. The railroad system of the country, as a whole, does not pay an unduly large return on the money actually invested in it.

Senator PLATT. It would have been a good deal better for the country if fewer people had gone into the building of railroads.

Mr. ADAMS. I agree with you entirely. This country seems to me crazed on the subject of building railroads. There seems to be something peculiarly attractive to the American imagination about the building of railroads and the keeping of hotels.

Senator PLATT. And operating mines?

Mr. ADAMS. Yes; we have all lost money in some one of those three forms of operating.

The CHAIRMAN. You have, as I see by the papers, just been as far west as Portland and the Pacific coast?

Mr. ADAMS. I have.

The CHAIRMAN. Did you hear much complaint on the part of the people against railroad managers?

#### DISCONTENT WITH THE NORTHERN PACIFIC.

Mr. ADAMS. When I was in the Northwest I went through an enjoyable experience. For once it was "the other man" they were abusing. The Northern Pacific Railroad was there and they wanted the Union Pacific to come in. They were very polite to me indeed. I have rarely heard people more energetically denounced than the Northern Pacific people; but they thought the Union Pacific a very nice corporation.

Senator PLATT. Let me see if I can repeat a statement that was made here this morning. I may not give it accurately as to the figures. The statement was made that on a car-load of freight from Chicago to Omaha the charge was something in the neighborhood of \$60, while the same car-load of freight was charged going through Omaha west to Grand Island over \$109. What justification is there for that?

#### REASONS FOR HIGH LOCAL CHARGES.

Mr. ADAMS. I should say that might be perfectly just.

Senator PLATT. Why?

Mr. ADAMS. Because it would depend on the volume of business. I do not know that such was the case, but I can see at once it might be. For instance, if we have a car that comes 1,000 miles to this point from the East, it is one perhaps of 1,000 cars. The cost of doing the business is divided by 1,000. We send that car 100 miles, or an equal distance west over our road, and it may be a solitary car, or one of ten. Therefore the cost of doing the business, instead of being divided by 1,000, is divided by 10 or 1. The conditions are wholly changed.

A case in point occurs to me. I live 8 miles from Boston. In the East we are not so fortunate as they are in the West. In order to produce anything from our stony soil, we have to use manure in large quantities. I went in Boston to the Old Colony Railroad and asked them to make me a rate on some car-loads of manure to Quincy. They made a rate for me of about 20 cents, as I remember, per ton per mile. I had the manure brought out, and after looking over the bill, I went to the company and told them they could not afford to do business at that rate. They told me they knew it perfectly well, but it was done as a special favor to me. Yet here they charged some 20 cents per ton per mile; but it was a single car-load, the distance it was hauled was short, the car had to wait to be loaded and unloaded, and it was hauled back empty.

#### LARGE AND SMALL VOLUMES OF BUSINESS.

So it is in all cases. You must have the same business conditions. One of the favorite complaints in Massachusetts was this: The Reading road coal was hauled for half a cent per ton per mile; but when it got into Massachusetts the companies charged at times 4 cents per ton per mile. I never could get them to see that it was a just difference. The Reading was carrying coal by the thousand car-loads a day between two given points. It was a steady volume of business. The Massachusetts road picked this coal up and peddled it about in car-load lots. The rule which obtained in the one case did not obtain in any respect in the other.

Senator PLATT. You think the people generally do not recognize the difference between a large and a small volume of traffic?

Mr. ADAMS. They certainly do not. A railroad can do an enormously large volume of a certain business at very low rates; there is no doubt about that; this is more especially true if the movement of the traffic is steady, so that the wheels are busy all the time. But if, as with us on the Union Pacific, a car-load is sent up here or down there, and the car is held for days, the delays and irregularities of doing the business take away the whole profit, although several times as much is charged. I think the case you put is one that Mr. Kimball could explain very readily.

I would like to add one word. I made certain statements in reference to the reduction of rates on the Union Pacific. If you will turn to pages 125 and 126 of the annual report you will find tables showing what those reductions have been, year by year.

Senator PLATT. There was one thing that I did not ask you that I will now take the opportunity to ask. Do you not think that there has been a little too much secrecy in regard to the management of railroads? Do you not think it would be a good thing to have a little more publicity?

Mr. ADAMS. I have always been in favor of it; I think so, decidedly.

The CHAIRMAN. You have always advocated that?

Mr. ADAMS. Yes; I have always advocated that.

The CHAIRMAN. I ask that question because I saw your report, and it struck me that it gave more full information in regard to the operation of your railroad than is usually given.

Mr. ADAMS. It has been a standing ground of complaint against the Union Pacific management that its reports contained no information in regard to the company's affairs. The changes were rung on this charge in season and out of season. No matter what the company made public

it was always accused of concealing. I determined to put a stop to that talk, for it had grown wearisome. Accordingly I had the volume you refer to printed. It was intended to contain, and I believe did contain, all there was to know about the company's affairs. So far as I know the Union Pacific has to-day nothing to conceal. I doubt if there is any corporation in the country which has to carry on its affairs under such constant and jealous supervision. With us publicity has been carried to its utmost limit.

### GEORGE L. MILLER'S STATEMENT.

GEORGE L. MILLER, editor of the Omaha Herald, appeared.

The CHAIRMAN. You have been listening to some of the discussion here. Will you give us your views on the general subject under investigation by the committee in respect to railroads? State whatever complaints there are here, if any, against railroads, and what kind of legislation Congress should enact for the purpose of curing such evils as may exist.

### LEGISLATION A HINDRANCE.

Mr. MILLER. I have studied the subject of railroads here in common with other gentlemen interested in the development of this Western country, and have come to the conclusion that legislation is a hindrance and vexation and a danger to the people and the railroads jointly, whose interests are one if intelligently handled. I have no question in my mind that Congressional interference with the intricate, complicated business of railways, either as to freight or as to passengers, would be a mistake, and that it would always result in positive injury to the people themselves. I believe that commercial law will assert itself over statutes, and that you cannot remedy evils in commerce any more than you can morals by statute.

### FREE TRADE IN RAILROADS THE CORRECT PRINCIPLE.

I believe that in this State absolute free trade in railroads, as in every other State, is the right principle, and if evils exist incidentally in the great world of transportation, those evils necessarily arise from the existing conditions, and are self-curing and self-repairing, if not vexed by interference on the part of the State. I believe charity by the State is always wrong, and interference by the State is always wrong. I think governmental interference in the affairs of railroads, if the Government has such power, will destroy the railroads. I have heard these debates since Wisconsin passed her granger law, and since Illinois passed the warehouse commission law.

I come down to the fundamental idea that freedom is what railroads want and freedom is what trade wants; and anything that cripples any part of the transactions which enter into double barter, which is trade, is wrong, fundamentally wrong. It can never be made right by any power on earth, except the commercial law governing the transaction itself. I have heard propositions laid down in this State during the last twenty years, by way of regulation of railroads, which, if they had been carried out, would have been so many dead letters, or else the alternative proposition would have been that they would have injured the progress of this country beyond repair.

## COMPETITION WILL BEAT COMBINATION.

I have always insisted that competition would beat combination; that free operation of capital in the development of new enterprises, if left to itself for a short time, would cure the incidental evil. The development of railroads from Buffalo to California has seen a constant decrease in freight rates. I think the records will justify that statement. Much of the popular acclaim against railroad management has grown out of ignorance of the subject, in the first place; and from interested motives, in the second place. Take my own State. I know its history. I have been a part of it, in an obscure way. I have seen the evils of railway monopoly. That is a large word now, and I am almost afraid to use it, being a monopolist myself. I have advertised that very often, and others do it for me much oftener. But, gentlemen of this committee, I have seen this State develop with a force that might be called magical, in the absence of any legislation, national or State. I have seen it come up to be a great State in a short time by the operation of the strong forces which move capital to build railroads and to gridiron our State, and to cover the Territories with them, unvexed by statutes; and I have seen what?—rates come down, and my people as rich as Jews, so far as people who labor with their hands are concerned.

## THE DESIRE TO CORRECT ALL EVILS BY STATUTE.

I think our American people are given over to the desire to run to Congress to correct any wrong, whether it be moral, physical, or commercial. The country has got into the way of thinking that there is no way of helping anybody except by statute, and so the statutes are piled up by our legislatures to cure somebody's fancied injury, and this has gone to such an extent that I think we will have to have our sessions extended several months.

I will close what I have to say here. I have no argument to make. I lay down the proposition, and I do it on the fundamental laws of political economy, and I say to this committee that I believe the time is not far distant when the intelligence of this country, which controls its legislation and affairs, will see that all this is a mistake. If you undertake to regulate interstate commerce, or to have the Government assume, by purchase or otherwise, the regulation of railroads, the more you interfere the more you will, in my judgment, injure, not the railroads, but the people.

## RAILROADS AS WELL AS THE PEOPLE NEED PROTECTION.

I have another view. It is this: That the railways need protection to-day. The people are being hurt, in other words, by an excess of railway building in the land. A man has only to ride across the State of New York, the imperial State of the Union, to see wherein commerce is debauched and demoralized, not to the injury alone of the railroads, but to the injury of the people. I stand on the fundamental idea that you cannot hurt a great trunk railway without hurting the people. There are four or five railways between this State and Illinois competing for business. They try to combine. Competition beats combination. The rates are broken. Trade is uncertain. The merchant is induced to buy to-day, and to withhold to morrow. The railroads are embarrassed, and merchants are misled, and injury results to both the railroads and the people. So I say to-day, and I say it deliberately, and I want my friends here who think I am such a wicked monopolist to

hear it, that if there is anything to be done in the way of legislation to help the people of this country, it must be to stop railroad building now. I mean trunk-line railroad building. There are never too many of the branch roads that shall go to the farmer's doors and bring the Liverpool market right to him. That has been the blessing and the strength and the hope of this new land. I need not say that to a man of the western life and experience of the chairman of this committee. I have lived through part of it. I have seen the poor made rich, and the rich made richer, by the railroads.

I ask these managers of these railroads to correct these evils. There are some. There are abuses. My distinguished friend, Mr. Adams, must know that in the short hauls in some of our districts the abuses and exactions are sometimes intolerable. But I think that applies to a small number of cases. Then comes the principle that without the price of the short haul the long haul cannot bring us to the Atlantic seaboard. The rates are made preposterously low, to the minds of everybody who can think, by the volume of business.

#### PROHIBIT TRUNK-LINE RAILROAD BUILDING.

Senator PLATT. Do you think the present system of railroad building ought to be prevented by law?

Mr. MILLER. No, sir; I did not mean to say that. I said that if I were to legislate to-day at all on railroads—which I would not do—I think I could serve the people in no better way than by stopping the building of trunk-line railways between this State and the State of Illinois.

The CHAIRMAN. To Chicago?

Mr. MILLER. To Chicago; and I would stop the building of trunk lines from Chicago to the Atlantic sea-board.

Senator PLATT. I quite agree with you that it is the building of that class of railroads which lies at the foundation of our sad condition of business to-day; but I thought you advocated the prevention of that by legislation, and then doing nothing else.

#### RAILROAD LAND GRANTS A GREAT BLESSING.

Mr. MILLER. Not at all. I want to say another thing. I never had an opportunity to free my mind. I want to say something about the land-grant railroads. I am sorry Senator Van Wyck is not here; but Senator Saunders is here, and that will do as well. I want to say this: That, contrary to the public clamor, I believe the granting of public lands has been the best thing that ever happened either to the Government or to the people; and so far as believing that the land grants to the Pacific roads have been an injury to the people, I regard them as having been the greatest blessing the Government could in its power bestow, both upon the Government and upon the people. I take issue on all this sort of discussion. I hold that these lands came into the hands of a power which, after laboring for many years, and at enormous outlays, and by venturing immense sums of money, has brought population to this State where the buffalo roamed under my own eye, and where I hunted many a time. This city owes its existence to the railroad land grants. It owes all its development to it. I say the land grant, in giving aid to this interest, populated this country and made it blossom in fifteen years, as that distinguished editor would bear witness, if he were on the stand.



All this popular appeal to the ignorance of the people, as I presume to call it, with all respect to the people, is all a mistake. I believe no better disposition could be made of the public lands than by putting them into the hands of the people who have made the country rich. I see my old neighbor shaking his head. He is not aware that he has, owing to that fact, been made rich in five years.

### EDWARD ROSEWATER'S STATEMENT, CONTINUED.

EDWARD ROSEWATER appeared and said :

I would like to make a correction.

The CHAIRMAN. We do not care to listen to any personal matters.

Mr. ROSEWATER. Mr. Yost has testified here this morning that a statement I made last night was purely imaginative on my part. I simply want to give my authority and then quit. The statement related to the operation of the Union Pacific bridge through Mr. Wells, who had the right to do the transfer work for some years. I stated that Mr. Wells had, in conjunction with other gentlemen of this city, a contract which was originally, as I understood it, for 12½ or 13 cents per ton, and then for 18, and finally for 22 cents a ton; that that was shared with those parties, and that if those parties were making private profits out of the railroad, incidentally of course, the public were more or less interested. I stated that Mr. Yost and Dr. Miller were interested. I had the statement from Mr. Harbach, who was formerly vice president of the Omaha and Northwestern Railroad, and who is a very responsible citizen. Mr. Harbach made that statement in the Merchants' National Bank in this city, at one time where Mr. Wells did business. He was made familiar with this contract. Mr. Wells told him he divided with these parties. Subsequently he, at one time when Mr. Wells was getting some money in the Merchants' National Bank, took a package of money and delivered it —

The CHAIRMAN. If you can state anything on your own responsibility, coming from your own knowledge, I do not know that we have any objection to listening to it; but this hearsay talk about what other men have done I do not think is proper to go upon the record.

Mr. ROSEWATER. The point I make is that I did not invent the story; that it came to me from parties whom I regarded as reliable and responsible.

### THOMAS L. KIMBALL'S STATEMENT.

THOMAS L. KIMBALL, general traffic manager of the Union Pacific Railway Company, appeared and said :

I am connected with the Union Pacific Railway Company as general traffic manager.

The CHAIRMAN. You have received the circular that the committee issued, have you not?

Mr. KIMBALL. Yes, sir.

The CHAIRMAN. As that indicates the general line of investigation we are pursuing, will you proceed and give us your views on the points indicated?

Mr. KIMBALL. I intended to examine it carefully, and answer in detail the questions, but I find that our president has anticipated so many points that I had contemplated having something to say about that I may bore you a little by reference to them.

## EXTORTION AND UNJUST DISCRIMINATION.

In answering question 1, "The best method of preventing the practice of extortion and unjust discrimination by corporations engaged in interstate commerce," I do not admit or believe that there is sufficient foundation in fact to warrant the popular belief in a wide-spread systematic course of extortion and unjust discrimination practiced by railroads against their patrons, but rather that such things are the rare exception, and not the rule. I see no reason why the common-law remedy is not sufficient to reach and cure these evils when they do occur.

In this connection allow me to say that I believe the prevalent opinion, especially in agricultural States, that there is an inevitable and necessary antagonism between the patrons of railroads and the managers of railroads, is an artificial one, produced not by the use of facts, but by the misrepresentation of them. I cannot better illustrate that than by calling your attention to some points given in the testimony which I find in *The Bee* this morning. Gentlemen have appeared before your Committee and made statements in respect to the Union Pacific Railway Company which are not warranted by the facts, and which I am inclined to believe the gentlemen so knew.

## CONTRADICTIONS OF STATEMENTS AS TO UNION PACIFIC.

It was stated by one gentleman that the expenses of the Council Bluffs transfer for the rehandling of freight at that point were charged wholly to the operating expenses of the bridge. Now, that is not true, and it never has been true. These expenses are all distributed pro rata over 1,035 miles of the main line, of which the bridge forms a part.

Some other things were said in respect to the bridge, by some of the witnesses who have appeared before you. One, I recollect, was that all local traffic to Omaha was transferred at the Council Bluffs bridge, causing a delay of from one to two days in the rehandling and reshipment of freight across the Missouri River. The fact is that for seven years there has not been a car-load shipment for Omaha transferred at that point. It is only such shipments as are made of small parcels in a car-load destined to Omaha, to Council Bluffs, and many points beyond; that are separated at that point and then shipped over the river. They have a rehandling at that point, necessarily.

## THE OMAHA BRIDGE.

In that connection I understand that something was said about parties being engaged in doing business upon the Omaha bridge at an allowance of from 12½ to 20 cents per ton; that it was in the nature of a wheel within a wheel, a ring to tax the revenues of the company and of the public. While at one time, when we were running an intermediate transfer between Council Bluffs and Omaha, it was true that we paid on the basis of tonnage for the superintendence of that bridge transfer, that ceased after a few years, and no such payment has been made since. The payments that are made now, to which the gentleman referred, are to cover the cost of transfer of through freight at Council Bluffs, or at the Council Bluffs transfer. The work was done by contract, and the payment made for it was a legitimate payment for services rendered. The company is doing the work itself now at substantially the same cost, and that cost is in no case charged to the public. It is distributed among the roads interested in handling freight.

## ELEVATORS AT OMAHA.

I also noticed that some gentleman says the elevators at Omaha and Council Bluffs are owned and controlled by the managers of the Union Pacific Company, the implication being that the *business* of those elevators is controlled by a ring of company officials. This is entirely and absolutely false, and the gentleman who made the statement should have known it. The buildings are owned partially by the Union Pacific Company, are rented to practical grain men, and no Union Pacific employé or officer is interested to the extent of one penny in that business, or would be allowed to hold his position in the Union Pacific Company if the fact were otherwise.

It was also stated that information was withheld in respect to the markets upon corn and grain by which the grain men, or this grain ring, robbed the producers. There is no truth in that statement, as daily, during the grain season, quotations from Saint Louis, Chicago, Toledo, or any point to which Nebraska ships grain for a market, are given at every point where any considerable amount of grain is shipped, along the line of the Union Pacific Railroad.

It was also stated that the Union Pacific Company for a while refused to grant mileage tickets to traveling men connected with a certain newspaper in Omaha. This charge is true; but it is equally true that the sale of mileage tickets at that time was absolutely confined to commercial men. They were given to shippers and were not sold to any newspaper concern in the State.

It was further stated that after the passage of the Doane law this company refused to allow excursions as formerly. There is no foundation in fact for the statement.

## COAL AND WOOL RATES.

Allusion was made to the coal trade. The Union Pacific Company furnishes coal to the trade at all points on the Union Pacific system, in Kansas and Nebraska, except at Lincoln and Grand Island, at a freight rate of \$4.25 per ton from Rock Springs and \$3.25 per ton from Carbon, the distance from the former to Omaha being 830 miles and the latter 656 miles, and making the average rate per ton per mile for most of the coal distributed in Kansas and Nebraska about one-half cent. At Lincoln we get 50 cents per ton more than the above figures. At Grand Island the rates are somewhat unsettled at present, owing to competition with Eastern coal.

The allusion to wool rates made by one of the witnesses was altogether incorrect. The figures given by him are not in vogue, and never have been. Our rates from points named are as follows:

	Wool.	
	In sacks.	Car-load, 12,000 pounds.
Wabaatch to Council Bluffs .....	\$3 05	\$1 55
Evanston to Council Bluffs .....	3 05	1 55
Rawlins to Council Bluffs .....	2 53	1 55
Laramie to Council Bluffs .....	2 13	1 31
Cheyenne to Council Bluffs .....	1 90	1 21
Sidney to Council Bluffs .....	1 60	1 06
North Platte to Council Bluffs .....	1 19	78

## EAST AND WEST FREIGHTS COMPARED.

The rates of freight from New York to Omaha, mentioned by the witness, in comparison with rates charged by the Union Pacific Company, are the result of the protracted rate war between New York and Chicago. It is the same old story of comparing the rates of the Eastern lines with the rates of the Union Pacific, where the volume of traffic of the former line is many times greater than that of the latter, and where the conditions in all other respects are as widely different. The witness said that our rates from Omaha to Evanston on first-class freight are \$4.25 per hundred pounds. That was the rate thirteen years ago, and it has not been charged since.

Referring to Mr. Stickels's statement, that the rates from Omaha to Grand Island are often five times more proportionately than the rates from Chicago to Omaha, I will say that our rates from Omaha to Grand Island are in fair proportion to all our through rates in Nebraska. They may have been five times more than the rates from Chicago to Omaha during the times the Eastern lines were at war and were carrying freight, regardless of classification, from Chicago to Omaha at 10 cents against a regular rate of 90 cents on the same class. With the exception of two of the lower classes of freight, the regular rates from the Missouri River to Grand Island are, and always have been, considerably lower than the tariffs from Chicago to the Missouri River; although, as Mr. Adams expresses it, our part of the transportation comes in dribblets while that from Chicago to the river is counted, in comparison, by train-loads.

I refer to these things in this connection simply to illustrate the sort of information that is given out to the people of the State of Nebraska, and I presume the same thing is true in every other State in the Union, to mislead and deceive the producing classes, and to array them against the railroad companies, and produce antagonisms against the railway management of the country that should not exist.

As Mr. Adams explains, it is the business of the railroads to serve the public. It is the interest of the railroad company to so serve the public that the public shall prosper. By that means the railroad company will prosper itself, and it can prosper in no other way.

## REASONABLENESS OF RATES.

The answer to question 2, "The reasonableness of the rates now charged by such corporations for local and through traffic" is this: As applied to the Union Pacific Railway or the Union Pacific system of railroads, I can say without fear of successful contradiction that the rates now generally charged by this corporation are not only not unreasonable to the public, but they are so low in fact that I sometimes fear we have gone below the point of safety to the life of the corporation itself. To illustrate this claim, I have here a table showing the average rate per ton per mile charged by this company on freight to and from the Pacific coast during the years from 1870 to 1884, inclusive:

Statement showing the average rate per ton per mile on California freight for the years as below.

Years.	East-bound.	West-bound.	Average.
	<i>Cents.</i>	<i>Cents.</i>	<i>Cents.</i>
1870.....	2.13	3.56	3.03
1871.....	2.02	2.22	2.14
1872.....	1.88	2.57	2.32
1873.....	1.97	2.45	2.27
1874.....	1.42	1.57	1.51
1875.....	1.58	1.84	1.75
1876.....	1.42	1.81	1.66
1877.....	1.49	1.69	1.62
1878.....	1.33	1.77	1.63
1879.....	1.23	1.51	1.40
1880.....	1.32	1.60	1.49
1881.....	1.33	1.25	1.28
1882.....	1.29	1.13	1.17
1883.....	1.37	1.33	1.34
1884.....	1.05	1.24	1.17

The CHAIRMAN. That gives the different reductions from time to time?

#### AVERAGE RATES OF UNION PACIFIC.

Mr. KIMBALL. Yes, sir. To further illustrate the present low rates charged, I include both local and through traffic in the following statement, showing the average rate per ton per mile charged for the transportation of freight on the main line of the Union Pacific Railway from January 1, 1869, to January 1, 1885:

Table of the yearly average rates on main line of the Union Pacific Railway.

Years.	Per ton per mile.	Years.	Per ton per mile.
	<i>Cents.</i>		<i>Cents.</i>
1869.....	5.47	1877.....	1.92
1870.....	4.01	1878.....	1.96
1871.....	2.41	1879.....	1.70
1872.....	2.34	1880.....	1.89
1873.....	2.17	1881.....	1.81
1874.....	1.84	1882.....	1.74
1875.....	2.07	1883.....	1.63
1876.....	2.04	1884.....	1.39

Taking the first year and comparing it with the last, without stopping now to read the details of the table, you will see that in 1869 our combined local and through rates were some 5.47 cents per ton per mile: in 1884 they were 1.39 cents per ton per mile.

Senator HARRIS. That includes both passenger and freight rates?

#### AVERAGE FRENCH, GERMAN, AND ENGLISH RATES.

Mr. KIMBALL. No, sir; that is for the freight tonnage, local and through. The average rate per ton per mile charged by European railways for the transportation of freight business, upon the latest and most reliable data obtainable, is as follows: In France,  $1\frac{7}{100}$  per ton per mile; in Germany,  $1\frac{7}{100}$ ; in Belgium and Great Britain,  $1\frac{5}{100}$  per ton per mile. They are all higher than the average rates upon the Union Pacific Railway of last year. In all those countries the rates of transportation are regulated by the Government. In some instances the

railroads are owned and operated by the Government. In none of them were the rates as low as those made on the Union Pacific last year.

The right of regulating the tariffs of the Union Pacific Railway is reserved to Congress by its charter; but during sixteen years since the construction of that line this right has never been exercised. The gradual scaling down of the rates from the average in 1869 of  $5\frac{1}{2}$  cents per ton per mile to 1.39 cents per ton per mile in 1884 has been done voluntarily by the management of the railroad and by natural and commercial causes, without legislative intervention.

#### TONNAGE AND EARNINGS OF UNION PACIFIC.

This downward tendency in our rates is still more sharply outlined by a comparison of the tonnage and revenue of the Union Pacific system for 1883 and 1884. The tonnage for 1883 was 8,763,225,685 pounds. In 1884 it was 9,315,605,905 pounds; while the earnings for 1883 were a little over \$18,000,000, and in 1884 they were \$16,623,000; showing an increase of tonnage of  $6\frac{3}{10}\%$  per cent., and a decrease in revenue of  $8\frac{5}{10}\%$  per cent. The last month of the present year for which we have full reports of tonnage and earnings—April—shows that we have transported 46,876,061 pounds more freight than in April of last year, and have received for the service \$37,371.59 less money.

#### PASSENGER RATES, PAST AND PRESENT.

In 1869 when the road was completed the passenger rate was 10 cents per mile over the entire line. This has gradually been reduced until the maximum rates per mile on different portions of the line are as follows: In Kansas and Nebraska, 3 cents; in Colorado, 5 cents; in Wyoming the maximum rate ranges from 4 to 7 cents, and in Utah it is 5 cents.

These rates, when considered in connection with the cost of construction, maintenance, and operation, and the comparatively small volume of travel, are certainly as low or lower than those charged in the more populous Eastern States and in Europe. The "reasonableness" of through or local ticket rates cannot be determined by a simple comparison of tariffs in different localities. Population is the prime factor in solving this problem. The cost of transporting passengers depends largely on the number of people carried and the regularity of their movement. A passenger car or train costs little more to move when loaded to its capacity than if one-half or one-quarter filled, and a rate per passenger per mile which would yield a handsome profit in the first case might entail a heavy loss in the latter. So, in adjusting local passenger tariffs, we must necessarily take into account the number of people tributary to the line.

	Population per mile.
Union Pacific, Omaha to western boundary of Nebraska.....	210
Union Pacific, western boundary of Nebraska to western boundary of Wyoming.....	41
Kansas Pacific, Kansas City to western boundary of Kansas.....	374
Missouri Pacific, in Missouri.....	2,800
Chicago, Burlington and Quincy, in Iowa.....	834
Chicago, Burlington and Quincy, in Illinois.....	8,383
Pittsburgh, Fort Wayne and Chicago, in Ohio.....	8,269
New York Central and Hudson River, in New York.....	5,816
Pennsylvania Railroad, Philadelphia to New York City.....	29,800

It would be manifestly unjust for the Government to ignore these varying conditions and establish a uniform rate of fare for all interstate travel.

On through business to and from the Pacific coast the nominal first-class rate is nearly 5 cents per mile, while a large portion is done at considerably less, in some cases as low as  $3\frac{1}{2}$  cents. The maximum third-class fare is  $2\frac{1}{2}$  cents, and the average for this class from sea-board to sea-board is from  $1\frac{1}{2}$  to  $1\frac{1}{2}$  cents per mile. At these rates emigrants are furnished by the Union and Central Pacific line with comfortable sleeping berths without additional charge, and in all respects better service than is accorded them in any other country.

One witness has given the opinion that still greater reductions than we have made in Nebraska and Kansas would so stimulate travel as to increase our earnings. This was predicted in Kansas when our rates were reduced from 4 to 3 cents, but our loss there has been \$166,151.58 per year, and I expect similar results in this State. Low rates will not fill our trains if the people are not here to travel.

#### PUBLICITY OF RATES.

3. Whether publicity of rates should be required by law; whether changes of rates without public notice should be prohibited, and the best method of securing uniformity and stability of rates.

At the present time the principal railways of this country have a most complete system of publishing their rates and classifications. A law to compel them to do what they are accustomed to do, and are interested in doing, can do no good and little harm. To prohibit changes in through rates by act of Congress, as has been demanded in some quarters, without thirty days or more previous public notice, would work incalculable injury to lines in competition with water routes and the Canadian railways (over which our Government has no control), without any compensating advantage to the public. Experience has so far developed in this country no means of securing uniformity and stability of rates so effective as the pooling of earnings by competing lines.

#### MAXIMUM AND MINIMUM RATES.

4. The advisability of establishing a system of maximum and minimum rates for the transportation of interstate commerce.

The popular demand is for a system of uniform maximum rates per mile for interstate commerce. I can conceive of no system of maximum rates, established by act of Congress on this or any other basis, that would be either equitable or practicable until all the railways affected are merged into one ownership or operated by and on account of the General Government. No such rate could be named which would at once be satisfactory to the public and just to all railways. The conditions upon which profit or loss depends are so varied and changeable that a maximum rate which would yield many roads satisfactory returns would bankrupt the balance.

#### ELEMENTS OF COST.

5. The elements of cost, the conditions of business, and the other factors that should be considered in fixing the tariffs on interstate traffic.

Compensation for transporting people and their property should be paid on the same principles as any other labor or service. A railway

company performing such service has the right to charge upon its business, as a whole, such an amount as will maintain the plant and pay a fair and reasonable rate of interest upon the capital invested. The expense of maintaining and operating the line are elements of cost to be considered, but not the only ones, in fixing tariffs.

A passenger upon a railroad or a shipper of freight over it receives, first, the use of property representing a large amount of fixed capital in the road, and, second, the personal services of the conductor, engineer, and brakemen engaged upon the train, of station agents and employes, of train dispatchers and telegraph operators, and of the general officers of the company, who are constantly engaged in providing for the safety and welfare of passengers and property intrusted to their care. The company is entitled to reasonable compensation for both these classes of service.

The cost of the second class of service and the amount which the company should charge for the same can be found as to each road and in each particular case, with a reasonable degree of accuracy, although the cost per mile would vary largely between different roads. Still the cost could be arrived at with little difficulty and without awakening complaints of discrimination if this item of cost were the only one to be considered.

There remains, however, the question of fixing a proper compensation for the first great item of service. The passenger or shipper of property over a distance of 100 miles by rail has for a brief period the use of an amount of property usually costing several millions of dollars. What amount shall he pay the owners of this property for its use? The answer cannot be arrived at by any system of inflexible tariffs, especially on the mileage basis. The constantly changing conditions of business, of markets, and of competition settle beyond doubt, in my mind, that it is neither to the interest of the people nor the railways to attempt any system of non-discriminating, iron-clad tariffs, or of maximum and minimum rates.

To illustrate: If one road has five or ten times the travel and traffic of another road, and these two together may form an interstate line, a rate per mile which would be amply profitable to one would not be at all remunerative to the other, and should be equalized by differences in their tariffs.

A line may be in competition with a canal or other water route whose rates compel a reduction to a common point, and which the rail line could make with some profit, and would make, if by so doing it would not be compelled to scale its rates down proportionately on the larger traffic upon which it depends for support.

It happens that freight to be shipped over any given interstate line—from a long distance—must at its destination or market come into competition with similar property produced or shipped at a much nearer point on the same line. Without flexibility or discrimination in rates the nearer point will shut out of market its remote competitor. No such thing as a commodity competition, regardless of distances, could be recognized by railway companies, or could exist as now, if all discrimination in rates were prohibited.

#### REBATES, DRAWBACKS, AND COMMISSIONS.

6. Should any system of rebates and drawbacks be allowed; if so, should such transactions be regulated by law and be subject to official inspection or approval; or should they be entirely prohibited?



If it is at all practicable for the General Government to abolish rebates, drawbacks, and commissions, or other allowances, direct or indirect, on the regular open rate, I should, as Mr. Adams said, be in favor of the adoption of such legislation. But it occurs to me that unless such action by Congress should be supplemented by legislation of the same character in every State and Territory of the Union, that prohibition would amount to nothing. There are so many ways of avoiding it. One was suggested by Mr. Adams—that of giving to a shipper a rebate indirectly, by giving a pass. Another way would be by giving to a shipper a rebate upon a local shipment within the State, over which Congress would have no jurisdiction, and to which it is doubtful if any act of the General Government could apply. Those are only samples of the ways of evading such an enactment, unless the law were universal—national and State.

Mr. ADAMS. Permit me to state a case that actually occurred: A large firm was shipping, and an agreement was made that there should be such and such a rate made and maintained by all lines. We suddenly found that we were losing the business of that firm. It was going to another line. That line insisted upon it there had been no cut made. A little investigation showed that they also shipped for that firm to another city in an entirely different direction, and they made a rebate on the shipment to the other city upon the agreement that they should have the *whole* of that firm's business. There had been no *direct* rebate made, as far as we were concerned, however. A rebate to Kansas City, or a rebate to Omaha, from Chicago may be made on shipments to Saint Louis.

Mr. KIMBALL. Or to any local point in the State of Nebraska.

Mr. ADAMS. Or even to New York.

#### POOLING.

7. Should pooling contracts and agreements between railroads doing an interstate business be permitted, or should they be entirely prohibited by law? If they should be regulated by law, would it be sufficient to require the terms of such agreements to be made public and subject to official approval?

In answer to that question I would say that until some better remedy than the pooling system is found for the evils the people and the stockholders of our railroads have a right to complain of, pooling contracts should not only be permitted, but they should be legalized, and any contracts made should be made public, and as binding between the railroads, parties to the pool, as any contract between individuals possibly can be made binding. Then, in my judgment, many of the evils that have crept into our pooling system would be remedied. So long as it is to the interest of a member of a pool organization to keep his contract he is likely to keep it. When it becomes, or he thinks it becomes, to his interest to violate the agreement, there is no appeal to the courts to compel that member to abide by the contract, or to pay any penalty for its violation. I know of no decisions by the courts of final resort that would give us good ground to claim that such contract could be enforced.

Senator PLATT. Suppose you had a sufficient fund in the hands of a commissioner to enable him to deduct from it penalties for the violation, those penalties being fixed in the contract in the nature of liquidated damages, and suppose, upon violation, the commissioner should pay a penalty over. What is the reason that cannot be done now?

Mr. KIMBALL. Perhaps we might devise a method of arriving at the same result without legislation, but I doubt it.

Senator PLATT. If my suggestion is worth anything to the railroads, they are welcome to it.

Mr. ADAMS. It has been tried, and it does not work.

Mr. KIMBALL. A good many of the roads nowadays would have to borrow the money to deposit.

#### RATES REDUCED NOTWITHSTANDING POOLS.

In giving my opinion of pooling contracts, I base it upon the result of pools in which the Union Pacific Company has been engaged, and with which I have had more or less personal contact and official connection. If you wish to know more of those pools, and the committee desire it, I will furnish a memorandum of them. On this matter of pools, I will say further that during the entire period in which the Union Pacific Company has engaged with its competitors in pools, there has not been a single instance in which the regular rate existing prior to the organization of the pool has been advanced after the organization of such pools. I defy any one to point out an exception to that rule.

The CHAIRMAN. So that the pool has not operated as a means of putting up freight rates?

Mr. KIMBALL. No, sir; but, on the other hand, as Mr. Adams remarked, notwithstanding the pooling arrangement, the tendency of rates, within the pool as well as without, I think has been steadily downward.

#### FIRST OVERLAND POOL.

The first organization for pooling overland business was made April 1, 1881, and continued in effect till December 31, 1881, between the Union Pacific Railway at 66 $\frac{2}{3}$  per cent. and the Atchison, Topeka and Santa Fé Railroad at 33 $\frac{1}{3}$  per cent.

#### SECOND CALIFORNIA POOL.

January 1, 1882, to January 31, 1883, between the Union Pacific Railway at 60 per cent., the Atchison, Topeka and Santa Fé Railroad at 20 per cent., and the Texas and Pacific Railway at 20 per cent.

#### THIRD CALIFORNIA POOL.

February 1, 1883, to May 15, 1883, between the Union Pacific Railway at 56 per cent., the Atchison, Topeka and Santa Fé Railroad at 16 per cent., the Texas and Pacific Railway at 14 per cent., and the Galveston, Harrisburg and San Antonio Railway at 14 per cent.

The Transcontinental Association succeeded the foregoing pools and is now in effect. The lines embraced in this organization are the Atchison, Topeka and Santa Fé Railroad Company, Atlantic and Pacific Railway Company, Burlington and Missouri River Railroad Company, Central Pacific Railroad Company, Denver and Rio Grande Railway Company, Denver and Rio Grande Western Railway Company, Galveston, Harrisburg and San Antonio, Northern Pacific Railroad Company, Oregon Short Line Railway Company, Southern Pacific Railroad Company, Texas and Pacific Railway Company, Union Pacific Railway Company, Oregon Railway and Navigation Company.

## THE COLORADO AND OTHER POOLS.

The first Colorado pool was organized by the Union Pacific and Atchison, Topeka and Santa Fé Companies, April 7, 1879, and continued in effect till October 31, 1882, the former taking 70 per cent. and the latter 30 per cent. of the earnings.

The second Colorado pool was established November 1, 1882, between the Union Pacific, Santa Fé, Burlington, and Rio Grande lines, and still continues.

Utah traffic has been pooled between the same lines and the Central Pacific since February 1, 1884.

The only other important pool of interstate traffic in which the Union Pacific is a member is that formed February 3, 1883, between the Union Pacific, Northern Pacific, and Oregon Railway and Navigation Companies.

## RIGHT OF SHIPPER TO SELECT ROUTE.

8. Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?

That is a question more of legal than practical import, and I will not discuss it.

## UNIFORM SYSTEM OF RATES.

9. By what method can a uniform system of rates for the transportation of passengers and freights by all the corporations engaged in interstate commerce be best secured?

Only by one method, and that is by the absolute single ownership of all the roads in competition, so that the losses upon one line made by the uniform rates shall be borne and equalized by the lines making a profit upon that same rate.

## THE LONG AND SHORT HAUL.

10. Should corporations engaged in interstate commerce be permitted to charge a lower proportionate rate for a long than for a short haul? Does the public interest require any legislation on that subject?

There is not a shadow of a doubt in my mind that any legislation, national or State, that should attempt to prohibit the discrimination made by railway companies between the long and the short haul, would cripple, if not paralyze, the manufacturing and producing interests of the United States. There could be nothing done that would shut out from competition the points remote from market so effectually as would a measure of that kind.

The passage of the Reagan bill, in its application to interstate commerce, would produce precisely that effect, and would absolutely put an embargo upon the movement of the products of Nebraska to Chicago, Toledo, and New York. Our only hope for marketing the cereals of this State would then be in the local markets created by the Union Pacific road in the mountains, and by a possible outlet by the Missouri and Mississippi Rivers to the Gulf of Mexico. It would absolutely drive the Union and Central Pacific roads out of all transcontinental business. I will not take your time to demonstrate that; but it is demonstrable, and that proposition cannot be controverted.

The CHAIRMAN. You think it would be ruinous to the business interests of the country to insert such a provision in the law?

Mr. KIMBALL. Yes, sir.

## CONCESSIONS TO LARGE SHIPPERS.

11. Should any concessions in rates be allowed to large shippers except such as represent the actual difference in the expense of handling large shipments over small shipments, and should such concessions be made known to the public?

I think it would be to the interest of the transportation companies to absolutely abolish all distinction between large and small shipments to this extent: that on such business as must absolutely be moved, the transportation companies would realize larger receipts, but it would operate like the principle I have referred to under the head of section 10, to prohibit the doing of a large amount of business and prohibit the transportation of a large amount of freight by railway. I think, however, the rates in such cases should generally be published rates, and measured by the volume of business and not by the claims of individual shippers or the claims of localities.

Senator PLATT. Or as between a wholesaler and retailer; if a retailer ships as much as a wholesaler, he ought to have the same rates as the wholesaler?

Mr. KIMBALL. Yes, sir.

Senator PLATT. It ought not to be based on the difference in the character of their business?

Mr. KIMBALL. No, sir.

## UNIFORM SYSTEM OF ACCOUNTS.

12. Should corporations engaged in interstate commerce be required to adopt a uniform system of accounts?

If it is meant by this that all the corporations in the United States should revise their system of book-keeping, and bring it all to one uniform standard, I should say, no. But if it is meant that all corporations doing business in the United States should be required to make a uniform report covering facts accessible alike to all corporations in the ordinary course of their business, I should say, yes.

Senator PLATT. Take this, for instance, as an illustration: Should they all be required to carry the same thing to construction account, and nothing else?

Mr. KIMBALL. I hardly think that would be practicable.

Mr. ADAMS. They could not do it.

Senator PLATT. It has been charged that some of the large expenditures for legal services with reference to legislation have been put into construction account, for instance.

Mr. ADAMS. They belong there. You are undoubtedly aware that in England, in obtaining charters—which is the beginning of construction—the expenses have sometimes gone to a great number of pounds per mile for the railroad built. That was a part of the cost of obtaining the charter, which is the beginning of the construction of the road.

## WATERWAYS.

Mr. KIMBALL. I will not discuss the question of water routes under section 14. We would, however, like to have the Missouri and Mississippi Rivers open to the products of Nebraska, especially if the Reagan bill should become the law of the land, because our line ends at the river. Other railways located somewhere else might want the Hennepin and other canals opened for a similar reason.

## THE REMEDY.

15. In what manner can legislation for the regulation of interstate commerce be best enforced? Should a commission be established for this purpose?

My answer to that would depend somewhat on the character of the legislation to regulate interstate commerce. I do not believe that much legislation or regulation is necessary. I believe the laws of supply and demand, the natural course of commerce, will settle those things. The mutual interests between the railways and the producers will ultimately adjust all those questions; but if there is to be legislation, my judgment is that it should take the form of such a commission as was pretty fully described by Mr. Adams.

## A NATIONAL COMMISSION.

But I think that commission should be more than a body of three men to cover the interstate commerce of the whole country. It occurs to me that a natural division of this commerce would be to take that portion south of the Ohio River—south of Mason and Dixon's line—and east of the Mississippi River, and appoint one expert transportation man, one high-minded, competent business or commercial man, and one strong lawyer as a commission for the South; another commission, consisting of three similar men, should be appointed to cover the territory west of the Missouri and the Mississippi Rivers, and there should be a third similar commission for the middle Western States, and a fourth for the old Middle and Eastern States.

The CHAIRMAN. Making twelve commissioners in all?

Mr. KIMBALL. Making twelve commissioners in all, organized into four distinct boards, for four separate districts.

A GENTLEMAN. With no farmers in any of them?

Mr. KIMBALL. A farmer may be a good business and commercial man.

The GENTLEMAN. He is not taken into account, of course. He is of no account anyway.

Mr. KIMBALL. A genuine farmer I would like to see on these commissions; but farmers by proxy, who come before this committee as prospective candidates for legislatures or for Congress, I would prefer to have left out of these commissions. I think the farmers will also have that preference when they come to understand such men a little better. That is all I have to say.

The committee then adjourned to meet at Minneapolis, Minn., June 24, 1885, at 2 o'clock.

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MINNEAPOLIS, MINN., *June 24, 1885.*

The committee met at 2 o'clock p. m., pursuant to adjournment.

## CHARLES A. PILLSBURY'S STATEMENT.

CHARLES A. PILLSBURY, mill owner, appeared.

The CHAIRMAN. We have come here as a committee, authorized by the Senate of the United States, to make inquiries and to listen to the views of gentlemen in relation to the question of whether there should be any legislation by Congress looking to the control of interstate commerce; and, if so, what it should be. We are especially anxious to hear

any complaints which there may be against transportation companies. We would be pleased to have you tell us, in the first place, whether there are any grievances among the people here against the management of railroads engaged in interstate commerce, and then tell us what the relief ought to be, if any, according to your judgment.

#### NO COMPLAINT AT MINNEAPOLIS.

Mr. PILLSBURY. As far as our own business is concerned—and I think I represent the millers and the large shipping interests here—we have no complaints to make.

The CHAIRMAN. None whatever?

Mr. PILLSBURY. None whatever. We think we are getting fully as low freights as the railroads can afford to take the goods for, if not lower.

The CHAIRMAN. Is your business an interstate business, or is it both local and through traffic?

Mr. PILLSBURY. Ninety-nine per cent. probably is interstate.

The CHAIRMAN. I suppose your flour goes generally to the sea-board?

Mr. PILLSBURY. We ship a great many car-loads every day. We think the rates of freight, if left to natural competition, are lower than they would be through any sort of legislation. My own opinion is that any legislation would be an injury. I cannot imagine anything in that line that would not do us more harm than good.

#### IF LEGISLATION IS HAD, THE LESS THE BETTER.

The CHAIRMAN. Suppose the great body of the people think otherwise, and that there should be some legislation looking to the control of interstate commerce under the provisions of the Constitution. What kind of legislation would you recommend as the least objectionable?

Mr. PILLSBURY. The legislation that interfered with it the least, whatever it might be.

The CHAIRMAN. Would you think that legislation creating a commission with general powers to do what it thought best would be unsafe?

Mr. PILLSBURY. Not if the commission were composed of very discreet, capable, and honest men.

#### REBATES AND DRAWBACKS.

The CHAIRMAN. Would you think a law creating a commission and forbidding the payment of rebates and drawbacks would be a dangerous law?

Mr. PILLSBURY. I do not think that part of it would do any good or any particular harm.

The CHAIRMAN. Is the system of rebates practiced here?

Mr. PILLSBURY. Most of the time rates are so low that there are absolutely no rebates. Sometimes they get up the rates temporarily through some pooling arrangement, and they make slight rebates.

#### POOLING.

The CHAIRMAN. Do you think the pooling system is a good one?

Mr. PILLSBURY. If they could get a pool that would amount to anything, the pooling system might injure us.

The CHAIRMAN. Why is it that they cannot get up a pool that will amount to anything?

Mr. PILLSBURY. Because they haven't enough confidence in each other.

The CHAIRMAN. The pool is broken as soon as any member of it thinks he is not getting fair play?

#### COMPETITION BETTER THAN LEGISLATION.

Mr. PILLSBURY. The situation as to the shipment of flour is peculiar. We have built up a very large foreign trade here, and no pooling arrangement can control it a great deal. I will state that it is impossible for any combination to control the rates of wheat from this section, from the fact that we are near Lake Superior. When wheat gets to Lake Superior, of course any sailing craft can take it to Buffalo, and then the Erie Canal practically regulates rates from Buffalo to New York. Any successful pooling that could be enforced would have the effect of killing off the mill interest here, but they never have got a pool yet that could be enforced. That is, it would injure us if they should attempt to maintain high rates. But we would rather take our chances on competition than on any legislation.

The CHAIRMAN. How far is it from here to Duluth?

Mr. PILLSBURY. Less than 150 miles.

The CHAIRMAN. Is that your nearest point to the lakes?

Mr. PILLSBURY. That is our nearest point.

The CHAIRMAN. Is there a railroad running to it?

Mr. PILLSBURY. There is a railroad running to it, and other railroads run to other points on Lake Superior.

The CHAIRMAN. Are you in the habit of shipping flour by water from that point?

Mr. PILLSBURY. Largely.

The CHAIRMAN. For foreign consumption?

Mr. PILLSBURY. For foreign and home consumption. During open navigation, I think three-fourths if not four-fifths of the flour goes by water, and of the wheat a larger proportion.

The CHAIRMAN. In the winter season you are compelled to ship by rail?

Mr. PILLSBURY. In the winter season flour is shipped by rail, but wheat is generally piled up at the lake ports and held until the opening of navigation.

#### WHEAT THE MAIN PRODUCT OF MINNESOTA.

The CHAIRMAN. What are the products of Minnesota beside wheat?

Mr. PILLSBURY. Wheat is the one main thing.

The CHAIRMAN. There is a great deal of stock, is there not?

Mr. PILLSBURY. Stock is increasing; cattle and other products; but I doubt whether we export much at present.

The CHAIRMAN. You mean out of the State?

Mr. PILLSBURY. I think they are bringing in about as much as they are sending out.

The CHAIRMAN. You say you do not want anything done. Is that the sentiment of the people, outside of your city?

#### SOME COMPLAINTS AMONG FARMERS.

Mr. PILLSBURY. I think there is some complaint among the farmers up in Dakota. They have an idea that they want a lower rate of freight to reach Minneapolis,

The CHAIRMAN. How far are you from the Dakota line?

Mr. PILLSBURY. About 300 miles.

The CHAIRMAN. Are there no complaints throughout the State among the agricultural people?

Mr. PILLSBURY. You know they always complain on general principles, that rates are too high. The complaints are about the same as we have always had and always will have.

The CHAIRMAN. But you think the prevailing sentiment is that nothing is necessary to be done?

Mr. PILLSBURY. I think that is the sentiment among the shippers here.

The CHAIRMAN. What is the prevailing sentiment, taking the whole State over?

Mr. PILLSBURY. I am not qualified to judge of the sentiment among the farmers.

The CHAIRMAN. You have a good deal to do with them, do you not, in buying their wheat?

#### NO COMPLAINTS AS TO FREIGHTS TO THE SEA-BOARD.

Mr. PILLSBURY. Yes, sir; I do not think there is any complaint at all as to the freights between here and the sea-ports.

The CHAIRMAN. The farmers are complaining as to the rates of freight in the State, are they?

Mr. PILLSBURY. Largely in the State.

The CHAIRMAN. They complain of the rates of freight from their homes to Minneapolis and Saint Paul?

Mr. PILLSBURY. From their homes to Minneapolis and Saint Paul or Duluth.

The CHAIRMAN. Do you think that legislation prohibiting pooling would be an injury to the people?

Mr. PILLSBURY. I think legislation prohibiting pooling is perhaps the only legislation that would do any good. I do not know whether that would be effective or not.

#### LOCAL RATES TWICE AS HIGH AS THROUGH RATES.

Senator HARRIS. Do you not think there is a large difference between the through rates and the local rates? I understand you to say the complaint of the farmers is as to the rates they have to pay to get to Minneapolis and Saint Paul.

Mr. PILLSBURY. The local rates are very much larger in proportion to the mileage than the through rates.

Senator HARRIS. Have you any idea as to the percentage of difference?

Mr. PILLSBURY. The rates are at least, taking mileage into account, not over one-half from here to the sea-board what the local rates are.

Senator HARRIS. You think the local rates do not exceed double the through rates per ton per mile?

Mr. PILLSBURY. I could figure that out in just a minute. I am speaking more particularly of the rates on wheat and flour. I do not pretend to be posted on rates on other things.

Senator HARRIS. We can test the question on that commodity as well as on any other.

Mr. PILLSBURY. The average rate on wheat to Minneapolis from any point about 400 miles off, which is about as long as we draw, is about 23



cents per 100 pounds. Perhaps the average rate from here to the seaboard, which is 1,400 miles—from here to New York—would be 35 to 40 cents a hundred, taking it right through the year, one year with another.

#### RATE ON GRAIN TO NEW YORK BY WATER.

Senator PLATT. What is the present rate on grain from here to New York?

Mr. PILLSBURY. The rate on grain from here to Lake Superior is about 12 cents a bushel; about 2 cents a bushel from Lake Superior to Buffalo, and I do not know what the rate on the Erie Canal is. I think it is very low.

Senator PLATT. How far is it from here to Lake Superior?

Mr. PILLSBURY. About 150 miles. It is a very little short of that; I think it is 143 miles.

#### THE RATE BY RAIL.

Senator PLATT. What is the all-rail rate on wheat to New York?

Mr. PILLSBURY. About 30 cents a hundred.

Senator PLATT. How far are you from Chicago?

Mr. PILLSBURY. Four hundred and fifty miles.

Senator PLATT. And they charge you as much from here to Chicago, a distance of 450 miles, as they charge from Chicago to New York, a distance of 1,000 miles?

Mr. PILLSBURY. Yes, sir; but the rate from Chicago to New York is the lowest ever known. That must be remembered.

Senator PLATT. They charge you about as much for 150 miles from here over to Superior as they do to Chicago, 450 miles?

Mr. PILLSBURY. Yes, sir; they are compelled to do that by the pool arrangement. That is where the pool business comes in.

Senator PLATT. How much is it to Duluth?

Mr. PILLSBURY. The rate from here to Duluth has been about 10 cents a hundred. That is about 150 miles. They raised it to 12½ cents yesterday.

Senator PLATT. That is the same as to Superior, then?

Mr. PILLSBURY. Yes, sir; the same thing.

The CHAIRMAN. What does it cost you to ship a barrel of flour from here to New York by rail?

#### RATE PER BARREL OF FLOUR TO NEW YORK.

Mr. PILLSBURY. From here to New York by rail it can be shipped for 60 cents a barrel; possibly a little lower; possibly 58 cents now.

Senator PLATT. Somebody told us since we have been investigating this subject that flour could be shipped to Liverpool for 38 cents a barrel, is that so?

Mr. PILLSBURY. That is not so. It has never been as low as that to New York in my experience.

Senator PLATT. It struck me at the time that the gentleman who was using that as an illustration had got a very low rate.

Mr. PILLSBURY. We are the largest shippers in the United States, and we ought to know. There never was any such rate as that. I think the lowest rate I ever remember having seen to New York was 45 cents a barrel from here. I have seen the time when the steamboats offered to carry flour for nothing for ballast; but that is very exceptional.

The CHAIRMAN. Going east?

Mr. PILLSBURY. Going east; yes, sir.

The CHAIRMAN. What were they bringing west when they wanted to go back in ballast?

#### RATES TO LONDON AND GLASGOW.

Mr. PILLSBURY. That was two or three years ago, when they were bringing a great many immigrants and freight. But that is a very exceptional case. The present rates to London and Glasgow are about 10 shillings a ton, which is about  $11\frac{1}{2}$  cents a hundred; and they are very low rates. The average ocean rate is about 15 shillings, which is about 17 cents a hundred.

The CHAIRMAN. Have you not made shipments of flour at less rates than you are getting now?

Mr. PILLSBURY. I think the lowest rate I ever remember to the seaboard was 45 cents a barrel.

The CHAIRMAN. Was that by rail?

Mr. PILLSBURY. No, that was by water. I never knew the all-rail rates to be lower than they are to-day.

The CHAIRMAN. Sixty cents?

Mr. PILLSBURY. Sixty cents; possibly 58 cents. We are not using it. I saw that quoted in the papers.

The CHAIRMAN. It has been alleged that you could ship a barrel of flour from here to New York cheaper than you can get it to the house of the man living in this city who wanted it.

Mr. PILLSBURY. I suppose to send a single barrel of flour out to a man 4 or 5 miles it would probably cost half a dollar.

#### NO REBATES PAID NOW.

The CHAIRMAN. You think there are no rebates being paid now?

Mr. PILLSBURY. There are no rebates being paid at the present time that I know of.

The CHAIRMAN. Is there any favoritism as between this point and any other in the State by the railroads?

Mr. PILLSBURY. The favoritism that is made, if there is any favoritism, is on account of this point being nearer to Lake Superior than points farther south. The freight from here to Lake Superior compels the roads to carry freight from here to Chicago at about the same rates, and they do not always give the points south of here, which are nearer Chicago, the benefit of the rates that competition compels them to make from here.

The CHAIRMAN. So that Minneapolis is getting a less rate ordinarily than the station or towns down along the line of railroad?

Mr. PILLSBURY. Less than many of them on that account.

#### DISCRIMINATION IN FAVOR OF MINNEAPOLIS.

The CHAIRMAN. How much discrimination is there, do you know?

Mr. PILLSBURY. I think the rate on wheat on some points between here and Chicago is as high as 25 cents a hundred to Chicago, while it is 15 cents from here.

The CHAIRMAN. There is a difference of between 15 and 25 cents?

Mr. PILLSBURY. Yes, sir; but we are nearer Lake Superior than any of those points.

The CHAIRMAN. Do you think it is right that these men should be discriminated against in favor of Minneapolis?

Mr. PILLSBURY. The policy is this: If we are 150 miles from Lake Superior, the railroad has got to make a rate to compete for that business, or it must go out of the business. The longest route has generally got to make the lowest freight rate. For example, the middle railroads have to make them lower, or people would not ship by them. I do not look upon it as discrimination on the part of the railroads. The natural situation of these places compels the railroads to do this or take nothing at all. The railroads leading to Chicago compel them to take those rates or not do business.

The CHAIRMAN. Do you think they compel them to take it at less than cost?

Mr. PILLSBURY. I do not think they do. I think the very fact that they get their share of the business enables them to haul at lower rates from these points than they otherwise would. They might be compelled to quit entirely.

#### THE LAKE SUPERIOR ROUTES GET HALF THE BUSINESS.

The CHAIRMAN. At this time of the year how much of your product goes by way of Duluth?

Mr. PILLSBURY. Duluth and Washburn and Ashland, I think, take about half of it. That is another route, in which the distance is a little farther. It is about 200 miles to Lake Superior.

Senator PLATT. Does the same system control the roads to Duluth and Superior?

Mr. PILLSBURY. No; they are independent roads.

Senator PLATT. But they pool their rates, do they not?

Mr. PILLSBURY. It is so reported by the papers.

The CHAIRMAN. Suppose Congress were to pass a law prohibiting pooling, prohibiting the payment of rebates, requiring the publicity of rates, prohibiting the payment of more for a short than for a long haul, and providing for a commission to enforce that law, what would be the effect of it upon your State?

Mr. PILLSBURY. I think we would pay higher rates than we now pay, taking it as a whole, if the bill had all those requirements in it.

The CHAIRMAN. You think that kind of a law should not be passed?

Mr. PILLSBURY. No, sir; I am against it.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. Is there any reason why a transportation company should charge more for a short distance than for a long one?

Mr. PILLSBURY. Yes, sir; sometimes there are good reasons.

The CHAIRMAN. What are those reasons?

Mr. PILLSBURY. Take the case of sending freight between here and Chicago. If the road from here to Duluth made a rate of 10 cents a hundred, the road from here to Chicago could not charge more than 12½ or 15 and do any business. It has either got to meet that rate or go out of business. I doubt whether that rate, applied to the whole of these lines, would pay running expenses. But the road can do additional business, especially when given in large blocks, as it is here, without any proportionate increase of expenses.

The CHAIRMAN. Do you think a railroad ought to charge less than cost at one point and then recoup at another?

Mr. PILLSBURY. No, sir; I do not. It is hard to say what is less than cost. A railroad may run through a sparsely-settled country, and, if it does, it must have a pretty high rate to pay the expenses of running.

#### COMPETING ROADS AT MINNEAPOLIS.

The CHAIRMAN. This is a competing point. There are two or three railroads, perhaps, running from here to Chicago.

Mr. PILLSBURY. We have three independent roads and one or two more, right here.

The CHAIRMAN. Then you have a route that takes your freight to Lake Superior, a short distance. Each of those roads are struggling for the business of your city. Do you think any one of them ought to take its share, or whatever it can get, rather than not have any business, at less than cost, and thus make up that loss at the stations between this point and Chicago?

#### ROADS NOT JUSTIFIED IN CARRYING AT LESS THAN COST.

Mr. PILLSBURY. I do not think any road is justified in doing any business at less than cost at any point. I do not think they are taking it at less than cost from here to Chicago, even at the lowest rates that are given. But a road might be hauling 1,000 tons of freight a day, and it might take 200 or 300 tons more a day at very low rates and make money on it, while it could not haul the whole amount of freight at the same rate.

The CHAIRMAN. You think if they can afford to charge just what they can take it for from here without losing money, there is no reason why they should not take it at a fair and reasonable rate below here along the line?

Mr. PILLSBURY. That is my idea exactly. The rates from Duluth to Buffalo are generally a little higher to New York than to Chicago. They can make about that difference. But they cannot make that difference to Chicago. To Duluth it is 150 miles, and to Chicago it is 450 miles, in round numbers.

#### RATES REASONABLY LOW IN MINNESOTA.

Senator HARRIS. Do you think the rates are reasonably low in the State of Minnesota as between non-competing points?

Mr. PILLSBURY. Yes, sir. I do not think there is more than one railroad in the State that could reduce its rates and pay a fair remuneration to the investors. If one road could reduce its rates, it would compel the other roads to do the same, and that might bankrupt some of the roads, like the Northern Pacific, for example. There is but one road in the State that I can think of that is what you might call money-making and paying good dividends. I doubt whether with this rate from here to Duluth they have ever paid a dividend yet, or at least much of a dividend. They cannot afford to haul at less than 10 cents a hundred; and that seems to be a high rate for 150 miles.

Senator PLATT. That is  $1\frac{3}{10}$  cents per ton per mile; is it not?

Mr. PILLSBURY. Yes, sir; but they have no local business. They run through a poor country and have comparatively no local business and not much return freight. All those things come in to affect the question.

The CHAIRMAN. Do you think it is right to allow a transportation

company to charge at a competing point a very low rate, and then, simply because on the line of its road, 25 miles away, there is another point that is not favored with more than one line of road, that they should charge the people there just as high a rate as they can bear?

Mr. PILLSBURY. If you put it in that way I should say no.

#### DISCRIMINATION AGAINST NON-COMPETING POINTS.

The CHAIRMAN. Is not that frequently the truth as to the operation of railroads; that where there is a competing point, they put the rate down to the very lowest possible figure, and then they make up the shortage on the non-competing points, regarding the people who live there as in their hands, to do with as they please?

Mr. PILLSBURY. In sixteen years' experience the rates from here to Chicago have never been, probably more than once or twice, for a few days only, lower than they are now; but sometimes there have been one or two fights that have lasted a few days where they would get the rates down comparatively to nothing. I think that is entirely wrong. I think the railroads are getting out of this business here all that they possibly can get out of it.

The CHAIRMAN. Charging as much as they can afford to charge and get anything to do?

Mr. PILLSBURY. And get anything to do; because the Lake Superior rate at 10 cents a hundred is a full and ample rate, and these roads leading south must compete with those rates or leave the business entirely.

#### DISCRIMINATIONS BETWEEN PLACES.

The CHAIRMAN. Do the people 25 miles below here on the roads leading to Chicago complain that extortion is being practiced against them?

Mr. PILLSBURY. They do sometimes.

The CHAIRMAN. As a matter of fact they are discriminated against in comparison between the rates from your points to those points, are they not?

Mr. PILLSBURY. There is a difference between discrimination and unjust discrimination.

The CHAIRMAN. Is there any discrimination that is not unjust?

Mr. PILLSBURY. Yes, sir; I think there may be.

The CHAIRMAN. What is it?

Mr. PILLSBURY. To discriminate is to——

Senator PLATT (interposing). To treat one person better than another under the same circumstances.

Mr. PILLSBURY. Yes, sir; that is what I call discrimination: under like circumstances. For example, the railroads here do business in train-loads. Our own concern gives them at least three train-loads a day.

The CHAIRMAN. Do you think there ought to be discrimination between people who ship three train-loads a day, which amounts, I presume, to seventy-five or one hundred cars, and a man who ships only one car-load?

Mr. PILLSBURY. It amounts to sixty cars, probably. No, I do not know that they ought to make that difference between individuals; but they would have to make it between points where there is a large amount of freight in competition.

## PLACES ENTITLED TO ADVANTAGES OF LOCATION.

Senator HARRIS. Do you think it is absolutely just to ship a car-load of grain or flour from Minneapolis to Chicago for you at one price, and to take up a car-load of similar freight 50 miles from here on the line of the road between here and Chicago, and charge that man more for hauling that car than you are charged for hauling your car?

Mr. PILLSBURY. I think it is just, for this reason: that being near Lake Superior we are entitled to the advantages of our location. The Lake Superior road makes the rate which the other roads are compelled to accept. I do not think the roads could pay expenses if they hauled all their business as low as the Minneapolis business is hauled.

Senator HARRIS. Then you think they haul the Minneapolis business below paying rates, do you?

Mr. PILLSBURY. No, sir.

Senator PLATT. Below rates which would pay remunerative dividends?

## FIXED CHARGES AND EXPENSES REGARDLESS OF BUSINESS DONE.

Mr. PILLSBURY. I look upon it in this way: Half the charges are fixed charges, which accumulate about the same whether the roads do business or not; and the other half are charges in proportion to the business done. For example, ties and bridges rot out whether or not you are doing any business. I think many roads in the State would not pay expenses if they hauled flour at the same rate that they haul it from here to Chicago. They would absolutely have to abandon the business. But I think the railroads make money hauling flour from here to Chicago.

Senator HARRIS. You do not think they make quite enough on that part of the haul?

Mr. PILLSBURY. Yes, sir; I think they do.

Senator HARRIS. Why should they make more on other hauls if they make enough on that haul?

Mr. PILLSBURY. I do not know that they do. The railroads between here and Chicago haul a great many train-loads a day, and on these other routes they haul but very little.

Senator HARRIS. If they are doing a paying business between here and Chicago, I want to ascertain their justification for the charge to the man 50 miles nearer to Chicago on the same line of road.

Mr. PILLSBURY. It is on the same line of road we are on. I do not know that they make any difference on other roads.

Senator HARRIS. How many roads have you from here to Chicago?

Mr. PILLSBURY. Three different independent lines.

Senator HARRIS. Do they not all ship from here to Chicago at the same rate?

Mr. PILLSBURY. Yes, sir; but they have other lines. For example, the Milwaukee and Saint Paul has other lines.

Senator HARRIS. We will take, for illustration, these three lines of roads from here to Chicago. I want to find the justification, if there be any (if they are doing a paying business on their freights from Minneapolis to Chicago at the rates they charge), for their charging the man more who lives 50 miles on the line of road nearer to Chicago than yourself, and by which point they have to haul your freight—not more per mile, but more in the aggregate?

Mr. PILLSBURY. There are two definitions of the word "paying."

do not claim that the present rates between here and Chicago would pay the roads in the sense of paying them a dividend, or that they get much return on their capital invested, but I claim that at the rates for which they haul from here they do better to haul at those rates than not to haul that business at all. If they had to do all their business at what you call competition rates they would not get a fair return on their investment.

#### LAKE SUPERIOR COMPETITION.

Senator HARRIS. The price they get from here is the result of the competition of the three roads?

Mr. PILLSBURY. The result of the competition with Lake Superior.

Senator HARRIS. It is the result of the competition of the three roads as against each other and Lake Superior?

Mr. PILLSBURY. And Lake Superior. There is no competition between themselves. There are pools between here and Chicago.

Senator HARRIS. That is regulated so long as the pools are observed.

Mr. PILLSBURY. These pools in the Northwest are observed. So far as I know, these pools between here and Chicago have been observed.

Senator HARRIS. How long have these pools been in existence?

Mr. PILLSBURY. I think four or five years.

Senator HARRIS. And they have been maintained all the time?

Mr. PILLSBURY. They have been practically maintained all the time between here and Chicago.

Senator HARRIS. As the result of competition between the railroads and Lake Superior, they have been reduced to their present rates of freight from here to Chicago?

Mr. PILLSBURY. Yes, sir.

#### NO DIVIDENDS ON PRESENT COMPETITIVE RATES.

Senator HARRIS. If they charge a man 50 or 100 miles nearer to Chicago higher rates than you are charged, is not the justification for it to be found in the simple fact that that man is at a point where there is no competition, and he is more within the power of the transportation company, and he can be compelled to pay whatever rates they choose to charge?

Mr. PILLSBURY. If they charge beyond a reasonable rate, that is so. But I think any railroad man could satisfy you that there is hardly a railroad in the country that could live if it had to do all its business at what you might call competing rates. I think dividends would be a thing of the past if all the railroads had to do business at those rates.

Senator PLATT. Might it not be put in another way: that a man at the non-competing point does not have the railroads at a disadvantage?

Mr. PILLSBURY. It might be put that way, too. I think, with the present rates between New York and Chicago, there is more need for legislation to protect the railroads than to protect the people.

#### LOW RATES NEEDED FOR EXPORT PURPOSES.

Senator PLATT. I suppose you want to get low rates for through freights that are to be exported?

Mr. PILLSBURY. Yes, sir; for export.

Senator PLATT. That is a pretty important thing for Minneapolis?

Mr. PILLSBURY. Yes, sir.

Senator PLATT. Who owns the Duluth Railroad?

Mr. PILLSBURY. The Duluth Railroad is owned, I think, by a Philadelphia party. A man by the name of Wrong is a large stockholder.

Senator PLATT. That road is not owned by Minneapolis parties?

Mr. PILLSBURY. It is not owned by Minneapolis parties. There may be some Minneapolis parties, but it is largely owned outside.

#### SUGGESTED CONTROL OF DULUTH ROAD BY MINNEAPOLIS MILLERS.

Senator PLATT. Suppose the millers of Minneapolis owned that road and turned their business over that road to Duluth. If I have made the computation correctly, that road is carrying now at 13 mills per ton per mile. In these days, where there is a fair volume of business for the railroads, it is estimated a pretty good thing to get half of that rate. Why could you not reduce your rates, say 5 cents a hundred, if you owned that railroad to Duluth, and turn your business that way?

Mr. PILLSBURY. I think the Duluth road would make its rate over 7½ cents a hundred from here to Duluth. I think it is compelled by the other roads to keep its rates up.

Senator PLATT. I was coming to that point. Minneapolis suffers, then, because, by this pooling arrangement, or by some arrangement between the railroads, you still have a high rate to Duluth?

Mr. PILLSBURY. I think our rate is too high. This advance to 12½ cents is altogether unreasonable to Duluth; but the rate from here to Chicago is cheap enough. It is probably fully as cheap as the railroads can afford to haul the business.

Senator PLATT. But if you can get a reduction of the present rates to Duluth of 2½ or 3 cents a hundred, it would be quite a little profit to you?

Mr. PILLSBURY. My point is, in answer to Senator Harris, that the people in the other parts of the State are no worse off because the railroads haul from here to Chicago at 15 cents a hundred than they would be if the railroads did not haul for that. They are compelled to haul for 15 cents a hundred or not at all, and if that is above the absolute cost of hauling, not to say anything about interest on the investment or anything of that kind, instead of being an injury to the people between here and Chicago that they are charged more, the fact that they take some of this business may be a benefit to them.

#### ADVANTAGES AT THE NON-COMPETING POINTS.

Senator PLATT. Suppose there were a large flour mill 50 miles off on this line over which you ship. There is no competition at that point. You ship your flour at a rate which enables you to lay your barrel of flour at the sea-board at 60 cents.

Mr. PILLSBURY. That miller would be better off than we are. It is the farmers, if anybody, who suffer. That miller gets more than the difference in the price of his wheat.

Senator PLATT. Would you not crowd him out of the market on the sea-board?

Mr. PILLSBURY. No, sir; he would get his wheat at a rate which would more than make up the difference.

Senator PLATT. You think he would get the raw material cheaper than you do?

Mr. PILLSBURY. Yes, sir; it would be a benefit to him, if anything because he is nearer to the wheat. Flour being more concentrated than



wheat, he would get a benefit in that, as far as that is concerned. The miller who is in a place where there is no competition, and who has to pay a high rate of freight, is better off because of the lower price he has to pay for the wheat.

Senator PLATT. Do you think it is safe to lay down a rule that a man 50 miles off on the road from here to Chicago will get his wheat cheaper than you get it?

Mr. PILLSBURY. He always gets it cheaper.

Senator PLATT. About how much cheaper?

Mr. PILLSBURY. Just the difference in the rates of freight. If the rates of freight are higher on flour they are higher on wheat. The Eastern market makes the price of wheat, and he gets his wheat cheaper.

The CHAIRMAN. So that you are really put on a level with this man?

Mr. PILLSBURY. As far as the manufacturer is concerned. The only party who would be interested would be the agriculturist—the farmer.

#### COMPETITION PREFERRED TO LEGISLATION.

Senator PLATT. You have water-power here for milling?

Mr. PILLSBURY. Yes, sir.

The CHAIRMAN. To make a long story short, you do not believe in any legislation at all, as I understand you?

Mr. PILLSBURY. I think we will be better off with the natural competition, taking it all in all.

The CHAIRMAN. You would leave it to the laws of trade?

Mr. PILLSBURY. Of course there may be benefits from legislation, and there may be injuries. Setting off one against the other, I think legislation would do as much harm as good.

The CHAIRMAN. We have just come from Omaha, where we had a good many farmers before us from the different parts of the State of Nebraska. They made a great many complaints against the transportation companies, believing they were unjustly dealt with. That feeling does not seem to exist here.

Mr. PILLSBURY. I think a good many of the farmers out West make that complaint. I have been talking more of transportation between here and the sea board. I do not think the farmers have any reason to complain of the rates from here to the sea board.

Senator PLATT. You reach out into Dakota for your grain?

Mr. PILLSBURY. Yes, sir.

The CHAIRMAN. That becomes interstate commerce when it goes beyond the territory of your own State?

Mr. PILLSBURY. Yes, sir; the roads are gradually making a reduction in the rates from those points in Dakota to Minneapolis.

The CHAIRMAN. What proportion of the wheat comes from Dakota that is made into flour here?

Mr. PILLSBURY. Very nearly one-half the flour made here in Minneapolis comes from Dakota. But the mills in the southern part of the State use wheat from the southern part of the State.

#### INDIAN AND RUSSIAN IN COMPETITION WITH AMERICAN WHEAT.

Senator PLATT. Do you feel the competition of Indian and Russian wheat in the English market?

Mr. PILLSBURY. Yes, sir; we do very largely.

Senator PLATT. Does the market take your flour because it is a peculiar kind of flour any way, or if flour could be made from Indian and

Russian wheat and put into the market in London and Liverpool at a very much lower price than your flour, would it drive your flour out of the market?

MR. PILLSBURY. The Indian wheat, as I understand it, does not resemble our spring wheat at all; if anything, it resembles more the winter wheat of the United States. But the Russian wheat has something of the same character as our spring wheat. The export milling interest has been very largely developed during the last three or four years in spite of all the disadvantages we are laboring under. But the Treasury Department has just made one decision that is quite a blow to us. We have been getting drawbacks on our jute sacks. Before Senator Windom was Secretary of the Treasury the drawback was all used up, but under his administration that was simplified. Lately they have made some regulations which practically wipe out the whole system of drawbacks.

#### DRAWBACKS ON JUTE SACKS.

Senator PRATT. Did you import your sacks, or were they made of imported materials?

MR. PILLSBURY. They were made of imported materials.

Senator PLATT. If you imported your sacking you would be entitled to your drawback?

MR. PILLSBURY. We got the drawback before on imported material, but now we practically lose the whole benefit of it. All flour is exported in jute sacks.

Senator HARRIS. I wish to get back to the comparative rating or quality of Indian or Russian and American flours in the English market.

#### \* QUALITIES OF AMERICAN WHEAT.

MR. PILLSBURY. The Minnesota flour is particularly noted as a spring wheat flour for its strength. It has a large proportion of gluten. The winter wheat flours have a larger percentage of starch.

Senator HARRIS. Is it regarded as a superior flour? Does it command a higher price in the English market than these other flours we have spoken of?

MR. PILLSBURY. The best Minnesota flour brings the highest price in the foreign markets.

Senator PLATT. It would hold its own as against Indian wheat flour at the same price?

MR. PILLSBURY. I do not think the Indian wheat would make flour as against the Minnesota wheat, in respect to winter wheat flour; but the Russian wheat might.

Senator PLATT. Is it not going to become essential to the manufacture of wheat flour in this country for the foreign markets, that there shall be cheaper rates given by the railroads in order to get your flour to manufacturing points?

MR. PILLSBURY. To get the flour to shipping points, you mean?

#### HIGH FREIGHT RATES AFFECT THE FARMER MAINLY.

Senator PLATT. To get the wheat to the milling points.

MR. PILLSBURY. I look upon the question of rates in getting the wheat to the milling point as a question that affects the agricultural community entirely at present, and not the manufacturing points. The higher the freights are the less we pay for wheat, and the lower, of

course, the more we pay. That is a thing that purely affects the agricultural interest at the present time. We must have low rates from here to the seaboard, because wheat will go at low prices irrespective of any pool or combination. It is practicable to send wheat by sailing vessels from Duluth to Buffalo, and so down the Erie canal, and it is not practicable to ship flour that way.

Senator HARRIS. The price you pay for wheat depends upon the market price of the flour?

Mr. PILLSBURY. The market price of the wheat in Minneapolis; and if the freight is more in the country we pay so much less.

#### THE PRICE OF FLOUR DEPENDS ON FOREIGN MARKETS.

Senator PLATT. Does not the market price of the flour in Minneapolis depend upon the foreign price?

Mr. PILLSBURY. You might say practically that the foreign price makes the price of wheat.

Senator PLATT. Suppose wheat, and consequently flour, by reason of the additional growth of it, brought the cost down in Liverpool. You would have to meet it. Could you meet it better by having the rate charged for getting it to the milling point reduced? Suppose the railroads reduced their rates for getting the wheat to the manufacturer to be manufactured here, would not that enable you to meet the lower price in Europe?

Mr. PILLSBURY. We would not get wheat one cent cheaper. We would simply pay so much more in the country for it. The benefit would inure entirely to the farmers.

Senator PLATT. But if you have to meet the lower price, you will have to buy it for less somewhere. Now, if the railroads charge less, you could say to the farmers, "We cannot pay you any more than we are paying now for the wheat."

Mr. PILLSBURY. I will explain. Duluth and Chicago are large wheat markets. We have to pay prices that Duluth and Chicago will pay to get the wheat. It does not make any difference whether we can afford to pay those prices or not.

Senator PLATT. They will send the wheat abroad?

Mr. PILLSBURY. Yes, sir, they will send the wheat abroad, so that it depends upon the price in Duluth, or the country tributary to Duluth, or the price in Chicago or the country tributary to Chicago. We have to pay prices that will bring the wheat here. Any lowering of freight to Chicago or Minneapolis would benefit the farmers in the country west of us, and not the milling interest at all.

Senator PLATT. If it could not be sold abroad, the farmer would have to come down in his price, would he not? He would not get the benefit of the price even though the railroads charge less, provided the price went down abroad.

Mr. PILLSBURY. If the price went down abroad, the price would ordinarily go down here. Of course speculation sometimes makes a difference.

Senator PLATT. When you have got the price down to a price where the farmer cannot afford to raise wheat, the business has got to be stopped, has it not?

Mr. PILLSBURY. Yes, sir; we got to that point last fall.

Senator PLATT. Or the railroads will have to reduce their rates?

Mr. PILLSBURY. Yes, sir.

Senator PLATT. If there has to be a reduction is it fair that that reduction shall all fall on the farmers and not on the railroads?

Mr. PILLSBURY. No. I think the railroads are generally making reductions.

#### LOCAL FREIGHTS CONSTANTLY DECLINING.

Senator PLATT. What has been the course of what you may call local freights? That is, freights from the producing points to Minneapolis, on wheat, for the past three years?

Mr. PILLSBURY. Constantly declining. There has been a decline every year. Since the railroads were first built, it was not until within three or four years that they were paying expenses. This is a new part of the country.

Senator PLATT. How do the freights on wheat per mile from a point 300 miles west of here compare with what they were five years ago?

Mr. PILLSBURY. I never knew any change to be made except in the way of a reduction on the railroads west of here.

#### H. W. PRATT'S STATEMENT.

H. W. PRATT, elevator owner, appeared.

The CHAIRMAN. You are in the elevator business?

Mr. PRATT. I have a line of elevators through the country. I buy out on the lines of the roads in this State and Dakota. I reach into Dakota.

#### CHRONIC CONDITION OF COMPLAINTS AMONG FARMERS.

The CHAIRMAN. Do you hear any complaints against the railroad companies in your business relations with the people of this State and the Territory of Dakota?

Mr. PRATT. There has been of late years a chronic condition of complaint among the farmers. It has been so more particularly during the last two or three years than formerly.

The CHAIRMAN. What are the peculiar characteristics of those chronic complaints?

Mr. PRATT. It is the result of the extreme low price of the grain which they raise and sell as compared with former years. It has been so low that it has hardly been remunerative, especially with this last crop.

The CHAIRMAN. Do they blame the roads for that?

Mr. PRATT. They blame everybody but themselves.

The CHAIRMAN. They think something ought to make the grain higher priced, but they do not know what it is?

Mr. PRATT. Yes, sir.

#### DISCRIMINATIONS AGAINST PLACES.

The CHAIRMAN. Have you any knowledge of discriminations by the transportation companies against persons or places in the transaction of business?

Mr. PRATT. Nothing in particular, except in reference to a difference in rates from one point and another; Minneapolis, Saint Paul, and perhaps river points along the Mississippi River, as compared with interior points.

The CHAIRMAN. The rates are not based on the distance?

Mr. PRATT. No, sir.

The CHAIRMAN. Except the distances from lake and river points ?

Mr. PRATT. Yes, sir.

The CHAIRMAN. Do you regard those discriminations as unjust ?

Mr. PRATT. I do not ; no, sir.

The CHAIRMAN. You think the transportation companies have a right to charge less at those competing points for transportation than they do at the non-competing points ?

Mr. PRATT. I view that question just as I would a merchant in New York being able to sell his goods cheaper than a merchant at Pittsburgh, Pa., or at Cincinnati, Ohio.

The CHAIRMAN. You look upon it as a question of locality ?

Mr. PRATT. It is a question of locality. The Almighty fixed this thing in connection with these railroads, so that it is necessary that these rates shall be made. There is certainly an undefinable want of knowledge as to how to correct these things, but I do not believe it is practicable. I think it is a good deal like the tariff question. It is pretty hard to understand why it should be, or to explain it intelligently.

#### PRESENT CONDITION A NECESSITY.

The CHAIRMAN. But you think the present condition of things should exist ?

Mr. PRATT. I think it is a necessity. I believe it to be a necessity that prices should be higher necessarily 50 miles from here, between here and Chicago, than they are at this point.

The CHAIRMAN. Do you believe that the railroad companies are discriminating unjustly against some neighborhoods ?

Mr. PRATT. I think I have known of instances where the condition of things should have been different from what it is. I think perhaps that is so. But I do not think it is the purpose of the railroad companies to discriminate.

The CHAIRMAN. You do not think the railroads ought to have the right to make unjust discrimination, do you ?

Mr. PRATT. No, sir ; not in the common understanding of the word unjust—for the purpose of punishing a community.

The CHAIRMAN. Should there be a law to prevent unjust discrimination if possible ?

#### LAWS OF TRADE AND COMPETITION BETTER THAN LEGISLATION.

Mr. PRATT. If the railroads practiced it to such an extent perhaps such a law would be warranted. But I believe the laws of trade and competition control those things better than legislation can.

The CHAIRMAN. You do not believe in legislation on the subject of regulating railroads, then ?

Mr. PRATT. No, sir ; I do not.

The CHAIRMAN. Suppose 75 per cent. of the people of the United States believe there should be such legislation ; in that case what would be your view ?

Mr. PRATT. I should be with the 25 per cent.

The CHAIRMAN. Suppose Congress does pass a law on that subject under the belief that the great body of the American people want it. Have you any choice as to the kind of law ?

Mr. PRATT. If we could get an immaculate commission composed of people above reproach, who knew enough to handle the question, perhaps it could be done through a commission.

## THE REAGAN BILL IMPRACTICABLE.

The CHAIRMAN. Put it in another way. During the last session of Congress the House of Representatives passed a bill known throughout the country as the Reagan bill.

Mr. PRATT. I am not familiar with the bill. I have read it. I have simply read the newspaper comments and criticisms upon the bill.

Senator PLATT. The principle of the Reagan bill, if I understand it, is this: To pass a law which shall of itself regulate transportation upon railroads.

Mr. PRATT. Making fixed rates?

Senator PLATT. Perhaps not exactly in all particulars, but prescribing the principle on which rates shall be fixed, or fixing them, one or the other.

Mr. PRATT. Would that include the idea of a short haul being in proportion to the long haul?

The CHAIRMAN. Not exactly in those terms. I think the Reagan bill provided that there should not be charged more for a short haul than for a long one, the freight starting from a given point and going in the same direction.

Senator HARRIS. More in the aggregate but not more in proportion.

Mr. PRATT. If I understand you, then I should say such a law would be impracticable.

The CHAIRMAN. You think its operation would be unwise?

Mr. PRATT. I think to get anything out of a rate 200 or 300 miles this side of New York our rates would be necessarily so large that it would act in the way of prohibition.

## THE LONG AND SHORT HAUL.

The CHAIRMAN. You would not be able to ship anything to the seaboard at all if you were governed by a long and short haul law.

Mr. PRATT. Yes, sir. The point that was suggested while Mr. Pillsbury was being examined was why they could haul property cheaper from here than from the town where I live. I live in a town 50 miles from here. A railroad company can make up a full train and start away from here with its set of men and pull it right direct to Chicago without any stoppages; while they have to make up other trains at these different points, a car here and a car there, involving perhaps twenty-four hours more time with that train than with the through train leaving here. They can transport the through train for less money than they can this train, which is picked up along the way stations. That is one reason why they can haul it at a less rate from here than from a country point.

Senator PLATT. The volume of business has much more to do with the rate than people suppose?

Mr. PRATT. Yes, sir; that is my idea.

## SEPARATE TERMINAL CHARGES.

The CHAIRMAN. Do you think the terminal charges could be ascertained? In other words, do you think the difference in the cost between transporting a train load of cars from here to Chicago or picking up the cars to form a train at the way stations, where you can get just enough business to occasionally fill a car, can be ascertained by an actual calculation?

Mr. PRATT. I suppose railroad men could give you that result without question.

The CHAIRMAN. If the terminal charges were separated from the haul charges, would it then be practicable to pass a law which would prevent a greater charge for a short than for a long haul?

Mr. PRATT. There are a great many things involved there, where it probably would not be proper to make a yes or no answer.

Senator PLATT. Terminal charges include the cost of loading and handling the car at the place of shipment and at the place of delivery.

The CHAIRMAN. Would they include the cost of bringing the car to that place?

#### RATES AFFECTED BY THE VOLUME OF BUSINESS.

Senator PLATT. Possibly. But if you have a large volume of business between two given points, which keeps the railroad busy all the while, and it has as many cars as the engine can draw at one load, and those loads are frequent, something else comes in besides terminal charges, does there not, to affect the cost of haul? The volume of business itself affects the cost, does it not?

Mr. PRATT. Yes, sir; the volume of business itself. Of course in his own private affairs a man can do with a certain amount of help and greater amount of business to better advantage than he can if it is scattered, and he has to use more help to do it.

Senator HARRIS. Have you a railroad commission in Minnesota?

Mr. PRATT. I believe we have; yes, sir.

#### THE MINNESOTA COMMISSION ORNAMENTAL.

Senator HARRIS. Do you know what powers that commission has under the laws of Minnesota?

Mr. PRATT. I think it is an ornamental thing. I do not think they have much power.

Senator PLATT. They have just been appointed, have they not?

Mr. PRATT. Yes, sir.

Senator HARRIS. How long has that commission been in existence?

Mr. PRATT. Thirty or forty days.

The CHAIRMAN. You say you are engaged in the elevator business. Who owns the elevators along the railroads?

Mr. PRATT. Private individuals.

The CHAIRMAN. And not the railroad companies?

Mr. PRATT. No, sir.

Senator PLATT. And the railroad managers have nothing to do with them, as individuals?

Mr. PRATT. Not so far as I know; no, sir.

The CHAIRMAN. What is the relative price of grain where you live and here at Minneapolis? Is there any difference in what you pay for wheat there and the price paid here?

Mr. PRATT. The difference is just this. Our rates where I reside—and it is a good illustration—are 23 cents a hundred. From here the rate is 15 cents a hundred on the same wheat. We manufacture into flour at our place about all of our local wheat, and that is shipped on this 23-cent rate. Our wheat is all there; and the farmers are paid for it generally at a price based upon these Minneapolis values, from the fact that Minneapolis values are higher a little than at Chicago. But our millers are enabled to buy their local wheat at 8 cents a hundred less than the

Minneapolis millers are. The wheat shipped here would cost 8 cents difference. There is very little discrimination. They charge, by shipping this way to Chicago, an extra rate over a direct shipment to Chicago.

The CHAIRMAN. The farmer suffers a little, then, as the result?

Mr. PRATT. I think he does. It is the difference between 23 cents on the direct route and 27½ via Minneapolis. I think that however is discrimination against Minneapolis.

The CHAIRMAN. Minneapolis does not get discriminated against very frequently, does it?

Mr. PRATT. Not in that particular.

The CHAIRMAN. Is there not some good ground, in your opinion, for the complaints on the part of the people out in the State against the manner in which transportation companies, and especially the railroad companies, are conducted?

#### A CHEAP WAY OF ADVERTISING A REDUCTION.

Mr. PRATT. I think they had some ground last fall; yes, sir. I think the railroad companies should have met the condition of things that existed here as to prices, which the producer was compelled to meet, by dividing it a little with them. They did it after the farmers had largely sold the wheat. They reduced the rate then.

The CHAIRMAN. They reduced it 5 cents a hundred, I believe.

Mr. PRATT. They reduced it 3 cents a hundred.

Senator PLATT. Who got the benefit of that reduction?

Mr. PRATT. Nobody got any benefit from it. The wheat had been delivered and hauled in.

The CHAIRMAN. So that that reduction was really of no value to the public?

Mr. PRATT. No; it was a cheap way of advertising that they reduced the rate.

The CHAIRMAN. Did they raise it again?

Mr. PRATT. No, sir; it has remained so.

The CHAIRMAN. Do you think a law of Congress prohibiting pooling and prohibiting rebates and requiring publicity of rates would do any harm if enforced by a commission, or in any other way?

Mr. PRATT. I do not know. I am a firm believer in the policy of leaving all these things to work themselves out by the laws of trade and competition. I commenced buying wheat in this State a good many years ago. I paid 60 cents a hundred for freight at points where now I am getting it at 23 cents a hundred. At other points in this State, where it cost 60 cents a bushel to ship wheat to Chicago or to New York, we now get it done for about 20 cents a bushel. These things have all been the result of competition and development.

#### THOSE FAVORING COMPETITION GETTING THE BENEFIT OF IT.

The CHAIRMAN. From the building of railroads in the State?

Mr. PRATT. The building of railroads.

Senator PLATT. The men who are least favored by competition do not like it so well as those who are most favored by it, do they?

Mr. PRATT. I guess not; no, sir.

Senator PLATT. That is to say, you will find the sentiment of leaving everything to be regulated by competition at just those points where they are getting the most benefit from competition?



Mr. PRATT. Yes, sir; I think that is perhaps true.

Senator PLATT. If a place happens to be suffering a little, owing to competition, it wants to be helped out?

Mr. PRATT. Yes, sir.

The CHAIRMAN. Is your elevator at a competing point?

Mr. PRATT. Yes, sir.

The CHAIRMAN. You have two roads there?

Mr. PRATT. We have two roads there.

Senator PLATT. Do you have elevators built out along the lines of roads that lead to the milling points?

Mr. PRATT. Yes, sir; through this State and into Dakota.

#### PRIVILEGE TO LOAD GRAIN WITHOUT USING ELEVATORS.

Senator PLATT. Do you get along with the people without difficulty, or is there some friction between you, as an elevator owner, and the people?

Mr. PRATT. There is some kicking sometimes, but, as a rule, I get along pretty well.

Senator PLATT. Some men in Omaha were very much exasperated at the idea that they could not load their wheat into the cars without having it go into the elevators first. Have you found that feeling among the farmers?

Mr. PRATT. They have made some demands, and the company that I ship over, I think, gave them opportunities to do it.

The CHAIRMAN. To load their cars from the wagons?

Mr. PRATT. Yes, sir. There was some shipping of that kind done, but not to any extent. I do not think the experiment was what they anticipated, in most instances.

#### INTERESTS OF RAILROADS AND FARMERS INTERWOVEN.

Senator PLATT. You said you thought the railroads might have met the low-priced wheat, and the difficulty the farmer had to get any returns from it, by a reduction in the freights. Do you not think it would be for the benefit of the railroads in the long run to make such local rates, that the farmer can make something out of his farming?

Mr. PRATT. Their interests, it seems to me, are so interwoven with each other that a railroad corporation should always meet such a condition of things as exists throughout the country to-day; and instead of maintaining old rates, they should suffer, for the time being, with the farmers; and at a time when prices are satisfactory, and produce to the farmer a good compensation for his outlay, a little higher rate could prevail. If I were running a road that would be my principle.

Senator PLATT. If farming becomes non-remunerative the railroads must suffer?

Mr. PRATT. The whole community suffers.

Senator PLATT. The millers and farmers and everybody?

Mr. PRATT. Yes, sir.

Senator PLATT. So that everybody is interested in enabling the farmer to get a living out of his farming?

Mr. PRATT. Yes, sir.

#### REDUCTIONS IN RATES FROM AGRICULTURAL REGIONS.

Senator PLATT. You were about to tell us how much the rates from the agricultural regions to the milling points had been reduced within

the last few years. To what extent have they been reduced in, say, five years?

Mr. PRATT. I will illustrate it. The road I am on, west of us, is a new road, comparatively. But on the older part of the road I commenced buying wheat when, as I said, it was 60 cents a hundred to Milwaukee and Chicago. It is now 23 cents a hundred.

Senator PLATT. You mean the rate of freight?

Mr. PRATT. Yes, sir. There has been a gradual shrinking almost yearly ever since up to the present time.

Senator HARRIS. You mean the railroad rate was 60 cents when you first commenced buying, and that the railroad rate has gradually gone down from 60 to 23 cents?

Mr. PRATT. Yes, sir.

The CHAIRMAN. That is, on freight from your place to Chicago?

Mr. PRATT. Yes, sir; at a given point in the country to Chicago. That is about the proportion of shrinkage at that particular point. Of course, this Milwaukee and Saint Paul road, running west into Dakota, has been only completed about three years, but there has been a shrinkage there of 5 to 7 cents a hundred since the first rates were established.

The CHAIRMAN. So that, as a matter of fact, the railroad companies have been reducing their rates from year to year?

Mr. PRATT. Voluntarily, all the time; yes, sir.

#### BASE THE RATES ON VALUE, NOT ON COST OF ROAD.

The CHAIRMAN. Ever since they came into the State?

Mr. PRATT. Yes, sir. You must take into account that when they built some of these lines they paid \$180 a ton for their steel, and now they are getting it for \$28 a ton. The cost of construction is less. I suppose they want to get an income on that \$180 a ton for steel.

The CHAIRMAN. Do you think they ought to have it?

Mr. PRATT. No, I do not. I think that is a question that addresses itself to the value of the road.

The CHAIRMAN. From year to year?

Mr. PRATT. Yes, sir.

The CHAIRMAN. And not what it cost fifteen or twenty years ago?

Mr. PRATT. No, sir. Of course that has all stopped.

The CHAIRMAN. You think the railroads ought to mark their stock down the same as a merchant does?

Mr. PRATT. Yes, sir.

Senator PLATT. Is there any complaint of overcapitalization of railroads in this vicinity? Are the railroads capitalized for more even than their cost?

Mr. PRATT. I do not know that there is much complaint, because our people are not much interested in the stock itself. They feel that it is pretty largely stocked.

Senator PLATT. They think it is watered?

Mr. PRATT. I think they feel that it is watered. I think that is the general impression.

The CHAIRMAN. Do you think you ought to pay on the full amount of the capitalization, whether it is watered or not?

Mr. PRATT. They are entitled to a revenue on the value of the road.

The CHAIRMAN. Saying nothing about the stock?

Mr. PRATT. Saying nothing about the stock.

Senator PLATT. Suppose the railroads in Minnesota charged money enough to get a fair annual return, say 7 or even 10 per cent. upon the

value of their roads, do you not think there would be a pretty serious reduction of rates in the State of Minnesota?

Mr. PRATT. No, I do not believe it. Still, I do not know much about that. I do not know how the railroad companies handle those matters.

#### CHARLES F. HATCH'S STATEMENT.

CHARLES F. HATCH, president of the Wisconsin, Minnesota and Pacific Railroad, appeared and said:

I have been in railroad matters. I am president of the Wisconsin, Minnesota, and Pacific road.

The CHAIRMAN. You understand the scope of our inquiry. Suppose you tell us what you think generally about the subject under investigation.

#### RATES REDUCED FASTER THAN A LAW COULD REQUIRE.

Mr. HATCH. As to the matter of legislation upon the question of rates, I feel quite certain that no laws which could be framed would really meet the case, or tend to reduce the rates as much as has been done by competition. I think the history of railroad rates in this country shows pretty conclusively that the tariffs made by the railroad companies are being reduced from year to year, and are being reduced faster and with greater effect than any law would dare to reduce them. I remember very well when the rate from Chicago to New York was \$3.20 on a barrel of flour. That was the regular rate, and it was held so for a long time. Competition has gone on from year to year reducing it little by little, more and more, until to-day they have almost thrown off the \$3 and carry the flour for 20 cents.

The CHAIRMAN. What is the rate from Chicago?

Mr. HATCH. From Chicago to New York it is about 15 cents per 100 pounds, 30 cents a barrel; although there is some newspaper talk about rates having been made even lower than that. That has been entirely the effect of competition between the railroads themselves, and the competition between the railroads and water routes. I think it is quite certain that if we had had a law twenty years ago, or had had a commission with power to establish rates, that law or commission never would have dared reduce the rates so rapidly as the railroads themselves have done it. Of course there may be in individual cases some hardships; where the rates are higher from one place than from another. Perhaps it may be wrong that that is so.

#### PUBLIC SENTIMENT AS EFFECTIVE AS LAW.

The CHAIRMAN. You think there is no extortion, but there may be unjust discrimination?

Mr. HATCH. It is possible that there may be extortion, but I think as a general rule those cases of extortion, or even of unjust discrimination, are quite rare. Where those matters are brought up they are pretty quickly eliminated. Public sentiment about railroads has about as much to do with that matter as would a strict law. The fact being brought out in the newspapers, and the attention of the public generally being drawn to the fact that there is extortion, or that there are higher rates from one place than from another, brings the railroad companies to terms. They are reducing their rates because the sentiment of the people is in favor of low rates.

## RATES OF NEW POOLS LOWER THAN PREVIOUS RATES.

In regard to pooling, it seems to me pools, so far as I have seen the results of them, have not been disastrous to the business of the country. Almost every pool that I have known anything about has been based, in making its rates, on a lower rate than the previous tariff of rates. The railroad companies get into a fight. They start at a certain tariff, if you please, before the trouble begins. During the quarrel they make low rates, and get them away down. When they come together again and make an agreement the pool is generally established at a rate lower than the original rate at the time of the commencement of the fight. For instance, if the rate was 25 cents a hundred, when they come to make a pool, they make it 22 or 20 cents. That has been the effect up here. The rate now, of 15 cents a hundred, is as low as has ever been made here.

Senator PLATT. From here to where?

Mr. HATCH. From here to Chicago. I am speaking of that.

## PURPOSE OF POOLING.

The CHAIRMAN. What is the purpose of the pool? Is it the purpose not to keep rates up, but to make them more stable?

Mr. HATCH. To make the rates more stable, and to let the railroad companies get a fair revenue out of the business. It is a form of agreement between the roads as to the prices they shall charge. During the last twenty years there have been different kinds of agreements made. The last form of pool does not seem to be very successful. It has not been very successful between Chicago and New York City.

Senator HARRIS. Its real object is to silence competition, is it not?

Mr. HATCH. It might be said so. Of course, if an agreement is to maintain a certain rate, so far as the rate was concerned it would silence competition between the roads.

Senator HARRIS. It would prevent one railroad company bidding against another?

Mr. HATCH. Certainly, and it would prevent their making rates lower than they could afford to make them. It would keep them from running the rates down to a point where railroad property would be utterly valueless.

The CHAIRMAN. So that you think pooling has really done no harm?

Mr. HATCH. I do not think it has done any harm.

The CHAIRMAN. What would you think about permitting the existence of pooling, but having some sort of Government tribunal to supervise and control it, or to approve or disapprove of any contracts that might be made?

Mr. HATCH. The great difficulty would be as to the persons who were to approve or disapprove. I do not suppose a Government officer occupying the office of the commissioner is any better than any other man. He is liable to make the same mistakes.

The CHAIRMAN. He might be liable to make the same mistakes, but he would not be entirely absorbed in the interests of a railroad.

Mr. HATCH. Possibly not. But I do not know that his judgment as to the proper rate to be made would be any better than the judgment of the people who were interested in the railroad property, and who were interested to get business for that railroad and in building up the business tributary to that railroad, and attracting to it all the business they could.

## RAILROADS ARE SELFISH BUSINESS CORPORATIONS.

The CHAIRMAN. Still, the railroads, when they make pools, are looking in the first place to their own interests?

Mr. HATCH. Yes, sir.

The CHAIRMAN. They are not taking the interests of the people into account any farther than to make them pay the fullest amount of money to the railroad company that can be paid without depriving the railroad company of their business?

Mr. HATCH. Yes, sir, they are selfish corporations. They are business corporations.

The CHAIRMAN. They are trying to get the most money out of the people that they can for doing their business?

Mr. HATCH. It is like any other business.

The CHAIRMAN. Do you think the railroad managers are a body of men who would be impartial as between their own interests and the interests of the outside people?

Mr. HATCH. They would be impartial in this way: They know very well that if they make high rates it kills the business. They have got to make certain low rates in order to favor the business and build it up, so that the country about them will all be put under the plow, and wheat and corn and other products will be raised. They have to make their rates so that the manufacturers can live. Although they may be selfish, and it may be for their interest to get just as high a rate as possible, yet they know beyond a certain point they cannot go. If they charge a high price they kill the manufacturer, and in killing the manufacturer they kill everybody connected with him, and there will be no business. Therefore it is for their interest to make prices so low and to make them in such a way that the people about them can afford to do business and make money and live.

Senator HARRIS. Is it to their interest to carry freights as low as they can afford to carry them, or to get as much as they can reasonably get out of the carrying trade?

Mr. HATCH. It is for their interest to get as much as they reasonably can out of the carrying trade and have the people with whom they are doing business do that business successfully.

Senator HARRIS. Take all the transportation lines from Minneapolis to the sea-board, and if they all combined and bound themselves by a pooling contract that neither should underbid the other, and that they should agree upon freight rates, would not every consideration of selfishness and of interest induce them to put those rates as high as they thought could be borne, and higher than if those transportation companies were competing with each other?

Mr. HATCH. Of course they would put their rates as high as they thought the business would bear. But they are all the time governed by one consideration as to the people with whom they are doing business. They have got to make those rates so that those people can do business and make money.

## TOO HIGH RATES CAUSES COMPETING ROADS TO BE BUILT.

There is another thing to be taken into consideration. If the railroads combine and make these high prices so that they are making an excessive amount of money, that simply starts up some other people who have the money to build a competing line of road right alongside

of them, in order to take away their business. Therefore they are bound by those considerations to make the rates as reasonable and as fair as they can.

POOLING DOES NO HARM; COMPETITION DOES GOOD.

Senator HARRIS. I understood you to say, in the beginning of your remarks, that you thought pooling did no harm.

Mr. HATCH. Yes, sir.

Senator HARRIS. Do you think competition does any good?

Mr. HATCH. Competition does good in certain ways. I think the competition of the roads, to do the business well, and to do the business at a reasonable rate, is very good. What I mean to say is that I think pools have done no harm.

Senator HARRIS. They have controlled competition, have they not?

Mr. HATCH. They have controlled it to a certain extent, but not to a harmful extent.

Senator HARRIS. You think that competition should be controlled, but that common carriers should not be controlled in respect to freight rates?

Mr. HATCH. I think they are controlled by the strongest considerations you can possibly make.

Senator HARRIS. They are controlled by whom and by what?

Mr. HATCH. The common carriers are controlled by competition; they are controlled by the sentiment of the country.

Senator HARRIS. But when they have pools they silence competition?

Mr. HATCH. Silence it perhaps for the moment.

Senator HARRIS. They silence it so long as the pooling contract exists?

Mr. HATCH. Yes, sir. But if they made the rates under the pools at not an extravagantly high rate, I do not see that the business of the country is injured. What I say is that the pooling rates are usually made a little lower than the rate they had before they went into a fight.

PRICES CAN BE LEFT TO COMPETITION AND TRADE LAWS.

Senator HARRIS. You think it is safe to trust the price of wheat and of corn, and of every other commodity that is raised, to the laws of trade and competition without other regulation?

Mr. HATCH. Yes, sir.

Senator HARRIS. But that it is not safe to allow the carrying trade to be controlled by the same law of competition, the carrying trade having very much to do in fixing the prices of those commodities?

Mr. HATCH. They are controlled by the same law of competition in making their pools.

Senator HARRIS. There are no contracting parties to the pool except the carriers themselves. It is a one-sided contract. The producer and the consumer are not parties to it, are they?

Mr. HATCH. No; except that the producer and the manufacturer make public sentiment, and that sentiment acts on these people who make the pools and make the rates.

Senator HARRIS. You think public sentiment would control the carriers?

Mr. HATCH. To a very great extent it does.

Senator HARRIS. Would not private interests control them a great deal more?

Mr. HATCH. Private interests control them to a certain extent. I do not know that it controls them any more.

#### A COMMISSION TO INVESTIGATE AND REPORT.

The CHAIRMAN. Do you not think that if pooling should be allowed, in view of the fact that pooling contracts are made between common carriers, it would be likely to result in a little benefit to the people outside of these corporations if some special tribunal created by the Government should have the right to look into the contracts and to approve or disapprove them?

Mr. HATCH. I doubt if it would be of very much advantage to the public generally. It seems to me a commission to get at the facts and to know what is being done might be an advantage to the whole country, and it might be of advantage to the railroads themselves.

Senator PLATT. Do you think every miller in Minneapolis knows practically just what he can ship his flour to New York for if he knows what the open rate is? They tell us here that it is 30 cents. Do you think that is the real rate to New York?

Mr. HATCH. I guess the rates they know about are the rates.

Senator PLATT. Do you think every one of the millers knows just what rate every other miller is getting from here to New York?

Mr. HATCH. As a general rule, I think they do. Possibly there may be cases where a large shipper might get, in times of competition, a rebate.

#### PUBLICITY AND STABILITY OF RATES.

Senator PLATT. Do you not believe it would be better, on the whole, to have a rate which everybody knew was the rate, and which was not to be deviated from unless, if any deviation were made, they knew just what it was to be and what it was to be based on? Do you not think publicity as to all these things would be a good thing?

Mr. HATCH. I believe in publicity as far as it can be obtained. I think it is very desirable. But how that publicity is to be obtained, is a serious question. I do not know how you could make a law that would meet that question.

The CHAIRMAN. Should every shipper who has products of any kind to be sent over a railroad know exactly what is being paid by everybody?

Mr. HATCH. I think it would be very desirable that those rates should be as public as possible.

Senator PLATT. Any secret concession made to one man inevitably gives to him an advantage in business over others.

Mr. HATCH. Yes, sir; I think that is true.

Senator PLATT. That is not fair, is it?

Mr. HATCH. I do not think it is fair.

Senator PLATT. Without saying whether or not a man who ships a large quantity should have a lower rate than a man who ships a small quantity, the rate should be open and known, should it not?

Mr. HATCH. I believe in publicity.

#### REBATES.

The CHAIRMAN. A good many railroad men have been before us who have been very positive against the allowance of rebates under any

any circumstances, except for the purpose of correcting any errors which might occur, and they favored a law prohibiting the payment of rebates. Would that be your opinion?

Mr. HATCH. I am not particularly in favor of a law for a thing of that kind. As I said before, I believe competition should regulate it.

The CHAIRMAN. You do not want any law upon the subject, as a matter of fact?

Mr. HATCH. That is my opinion. I believe the laws of trade and the sentiment of the people, if you can have publicity of rates, as much as possible will govern these things to the benefit of all concerned.

The CHAIRMAN. How are you going to have publicity unless it is required by law.

Mr. HATCH. I do not know. Perhaps, as I said before, a commission would be beneficial.

The CHAIRMAN. A commission could not do anything unless it had power to enforce its regulations.

Mr. HATCH. If they had power to examine; but the great difficulty would be the fixing of rates from a certain point to some other point.

#### PUBLICITY OF RATES AND NOTICE OF CHANGE.

Senator HARRIS. Suppose the railroad companies were allowed to fix their own rates, but were required to publish the rates as fixed by themselves, and to adhere to them until a reasonable notice had been given of a proposed change?

Mr. HATCH. I am inclined to think that publicity of rates is a very good thing. How to get at it is a question of detail.

Senator PLATT. Suppose we look at another side of the question. A railroad gentleman, who appeared to be very well informed, told us in Saint Louis that if the competition now going on between railroads east of Chicago to New York were to continue for eighteen months longer, he would be able to count all the solvent corporations east of this point on the fingers of one hand. Do you think it is a good thing to allow such competition to go on?

Mr. HATCH. I think it is very bad, and very destructive.

Senator PLATT. Then if there is any law which would so regulate the matter as to prevent the competition which was destroying railroads and the interests of the owners of railroads, do you think it would be a good thing?

#### COMPETITION DESTROYING THE RAILROADS.

Mr. HATCH. I do not know whether it would be a good thing or not. If you could prevent the railroads from destroying each other, of course it would be a good thing. The railroad interest is a very great interest in this country. It represents a great many dollars, and it represents the revenues of a great many people in this country; and to destroy all those railroads, as they are being destroyed between Chicago and Saint Louis and New York, is a very disastrous thing. Whether any law could be framed that would meet that case and do justice to the railroad interest, and at the same time do justice to the interest of the community at large, I do not know.

Senator PLATT. Minneapolis wishes, of course, to get very low rates to the sea-board on its products. But do you think it is a good thing



for the business of the country to have those products carried over any portion of the lines for less than it costs the railroads to do it?

Mr. HATCH. What it costs the railroad to do business is a very uncertain thing.

#### COST OF CARRYING FREIGHT AN UNKNOWN QUANTITY.

Senator PLATT. Railroad men will universally tell you, without an exception, that grain is carried to-day from Chicago to New York at less than cost, figured upon any basis upon which any railroad man figures cost. Do you think that is a good thing for the country?

Mr. HATCH. I do not think it is a good thing for the country, but I do not know that any railroad man in the country knows just exactly what it costs to carry business from Chicago to New York City. If he had the problem of so many thousand tons to carry from Chicago to New York, he could figure that exactly. But there are so many questions that enter into this subject of the cost of carrying that it is a pretty difficult matter for any railroad man to say what is the cost. I have no doubt that if you added 50 per cent. to the price of carrying freight to-day the people of ten or fifteen years ago would have thought it was higher than the cost.

#### THE COMMISSIONERS OF MINNESOTA.

Senator PLATT. What sentiment in the State led to the appointment of a railroad commission?

Mr. HATCH. We have had in this State one railroad commissioner for some years.

Senator PLATT. He had nothing to do except with the physical condition of the road, had he?

Mr. HATCH. The physical condition; and the railroads generally made certain reports to him each year, which were published.

Senator PLATT. He was bound to see that the roads were kept in good condition and were safe?

Mr. HATCH. Yes, sir. Now they have appointed three gentlemen as commissioners in this State. Their powers are somewhat enlarged; although not much. They bear generally on the wheat question, that is, the grading of wheat.

Senator PLATT. It is a warehouse commission in addition?

Mr. HATCH. They are a sort of warehouse commission in addition to their duties as a railroad commission.

Senator PLATT. Do they have anything to do, under the act appointing them, or under any of the acts, with reference to hearing complaints as to preferences or discriminations?

Mr. HATCH. Yes, sir; I think they do.

#### THE SENTIMENT THAT LED TO APPOINTMENT OF COMMISSIONERS.

Senator PLATT. What sentiment led to the appointment of a commission with such a power as that?

Mr. HATCH. It was the sentiment in this State that railroads were charging too high rates, particularly during the past year when the price of wheat was very low. It was thought that railroads ought to reduce their prices.

Senator PLATT. Making allowance for all exaggeration of facts, do

you think the sentiment ever gets abroad in a State which results in legislation unless there is some ground for it?

Mr. HATCH. Undoubtedly there is always some ground for public sentiment of that kind. I do not think railroads are entirely free from blame. This commission, I think, has been more directed to the grading and handling of wheat than to the price at which the wheat was transported from the interior to the terminal points.

Senator PLATT. Is milling carried on at Duluth?

Mr. HATCH. No, sir; that is simply a grain market.

Senator PLATT. They ship grain from Duluth?

Mr. HATCH. They ship wheat from Duluth. It is only within the last couple of years that they have cut very much of a figure in the grain market.

#### THE ROADS FROM MINNEAPOLIS TO CHICAGO.

Senator PLATT. How many controlling corporations operate roads leading from Minneapolis to Chicago?

Mr. HATCH. There are three now.

Senator PLATT. What are they?

Mr. HATCH. They are the Chicago and Northwestern, Milwaukee and Saint Paul, and the Rock Island system.

Senator PLATT. They embrace all the roads that compete between those two points?

Mr. HATCH. All between here and Chicago to-day; yes, sir.

The CHAIRMAN. You have been engaged in railroading, I believe you said?

Mr. HATCH. Yes, sir.

The CHAIRMAN. There has been a great deal said, and legislation has been attempted, about the question of the long and short haul. In your judgment, would it be in the interest of the business of the country to pass a law preventing the charging of more for a short than for a long distance—for transporting freight from the same point and going in the same direction?

#### THE SHORT AND LONG HAUL.

Mr. HATCH. I think not. I think the charging a low price for a long haul is what made the lands in Minnesota and Dakota and all this western country valuable, and without those low prices these lands out here would not be worth cultivation.

The CHAIRMAN. That is a general answer, but are there instances in the ordinary transaction of running a railroad where it actually costs more to haul a given quantity of freight a short distance than it does to haul it a long distance?

Mr. HATCH. It may be where business goes from a small station, a very small amount of business, and you have to keep up a force there to do that small amount of business—that the terminal charge for that small amount of business might be larger than it would be at a station farther away from the terminal point; and then the cost of stopping and picking up a car-load of freight would be more than simply taking a load and carrying it through.

Senator HARRIS. Are not cases very exceptional where it would cost more in the aggregate for a shorter than for a longer distance?

Mr. HATCH. Yes, sir; to a certain extent they are exceptional.

The CHAIRMAN. Which would you rather do, take a train of cars at a given point from here to Chicago, so much per car, or drop off one or

two of those cars 20 miles this side of Chicago, at some little station, and charge the same price for the cars you left at that station?

Mr. HATCH. It would make practically very little difference in that case whether you carried the whole train through or dropped off two or three cars 20 miles short of the distance.

The CHAIRMAN. Would it actually cost you more to switch those cars off and leave them there, and then afterward go back and get them, than it would to take them on to Chicago?

Mr. HATCH. Yes, sir.

Senator HARRIS. If you drop them off 50 or 75 or 100 miles this side of Chicago, how would it be?

Mr. HATCH. You might possibly get back to a point where it would be about the same, and where it might cost more to carry the train through than to drop the cars off; but if you dropped them all off 50 miles this side, and ran the engine through, it would cost you probably less than to carry them all through, unless you needed the cars in Chicago, and you might have to send another engine to bring the cars from that point.

Senator HARRIS. Is not the only additional cost in leaving the car there to be found in the fact that at the station 20 or 50 miles this side of Chicago you have to back upon the switch and uncouple and leave the car, and when you go back to pick it up, you have to back upon the switch and couple the car on?

Mr. HATCH. Usually so.

The CHAIRMAN. Probably that car would have to stay empty a day or two because there was nothing there to fill it with.

Mr. HATCH. There are so many different questions entering into that matter, that I do not know that you can tell definitely.

The CHAIRMAN. You think it would be bad policy to prohibit charging more for a short than for a long haul?

Mr. HATCH. I think it would be; yes, sir. I think it would be very disastrous.

Senator PLATT. If there is any seeming injustice to the individual, it is one that he ought to suffer for the benefit of the great public, you think?

Mr. HATCH. I do not know about that. There might be, of course, cases of individual hardship; but for the whole country it seems to me it would be very disastrous to have any such law passed, particularly for this Western country.

The CHAIRMAN. In your judgment, would it not be better, if anything is done, to clothe a commission with power to see, so far as they are able to, that there is no wrong done to the party who makes the shipment over the shorter distance?

Mr. HATCH. That would clothe your commission, probably, with some sort of judicial power.

#### THE MASSACHUSETTS COMMISSION AS A MODEL.

The CHAIRMAN. No; give it authority to investigate the facts and announce its determination, and then turn the matter over to the district attorney, in case the railroad company did not comply with the decision of the commission.

Mr. HATCH. The commission established in Massachusetts, of which Mr. Adams was president, has always seemed to me to be about as fine a commission, and the basis on which it was established has seemed

to be about as good, as any commission that has been created in this country.

The CHAIRMAN. They have the power suggested, except that I am not certain whether they turn the matter over to the attorney-general.

Senator PLATT. They report to the legislature.

Mr. HATCH. They make recommendations of what they deem proper to be done, and make their report to the legislature. I think, as a matter of fact, that in Massachusetts the recommendations of the commissioners, after examining any particular case, have been in nine out of ten cases acceded to by the railroad companies.

The CHAIRMAN. They have never been disregarded, I believe.

Mr. HATCH. I do not know that they have ever been disregarded.

The CHAIRMAN. The Massachusetts commissioners were before us, and they said their determinations had always been complied with.

Mr. HATCH. Yes, sir; I understood so.

Senator PLATT. The idea of the people of Massachusetts is that the commission is an aid in bringing public sentiment to bear upon the question.

Mr. HATCH. That is my idea. I believe public sentiment is the great regulator in connection with the general law of trade.

The CHAIRMAN. But somebody is wanted to help public sentiment and to fight these unjust discriminations and extortions and impositions, if there are any, and to uncover them so that the people can see them and bring to bear the power of their influence to have them corrected.

Mr. HATCH. Yes, sir. I think the commission system, based on the idea of the Massachusetts commission, is about as good as anything that can be obtained.

#### A NATIONAL COMMISSION MODELED AFTER THAT OF MASSACHUSETTS.

Senator HARRIS. In view of the fact that the Massachusetts commission has been in existence a good many years, and that that commission has told us that it has had a great many complaints made, year by year, by postal card, by letter, and by personal appearance of the complainant, which complaints have been investigated, and where there was no justice in the complaint, the reason for their belief was assigned to the complainant; and where there was justice in the complaint, the reason was given to the railroad company; that their experience has been that both the railroad companies and the people have acquiesced in their decision, and that the result has been to bring the people and the railroads to a very much better understanding and a more amicable relation with each other—in view of that experience of a good many years' standing in dealing only with the commerce of the State (Congress having the exclusive right to regulate interstate commerce), do you or not believe that it would be well to have such a commission to deal with railroads or transportation companies having interstate business?

Mr. HATCH. I think it would be very well. I should be in favor myself of a Congressional commission with powers and duties substantially based on the Massachusetts commission.

The CHAIRMAN. During the three days spent by us in Massachusetts we were unable to find a single individual on the part of the railroads or the people, who did not express absolute confidence in the railroad commission. There did not seem to be any one who did not feel that the judgment of the commission would be right.

Mr. HATCH. I think a Congressional commission would be an excellent thing for the country.

Senator PLATT. You believe that such a commission as Massachusetts has would be a good thing for the country?

Mr. HATCH. Yes, sir; I believe so, if we had such men.

The CHAIRMAN. You think the great difficulty is to get the men?

Mr. HATCH. Yes, sir.

### C. C. STURTEVANT'S STATEMENT.

C. C. STURTEVANT, secretary of the Minneapolis Chamber of Commerce, appeared.

The CHAIRMAN. You have been listening to the proceedings, and have learned what we are trying to find out here. Will you proceed in your own way and tell us what you know about the condition of affairs here with reference to transportation companies, and then what you think about the desirability of any legislation by Congress?

Mr. STURTEVANT. Our situation, in regard to transportation, is this: This is the dividing line. We have our products, our flour, transported to the East; and we get our merchandise and other things from the East; then we have a large local trade within the State, that is, in bringing our produce here and distributing our goods.

### COMPLAINTS OF EXTORTION AND DISCRIMINATIONS.

You want to ascertain our views about interstate commerce. With regard to the matters in the State, of course there has been a great deal of complaint by farmers, and a great deal of crimination with regard to the extortions of railroads as to bringing their wheat to the market and taking their products out of the State. The first railroads that were built here were built out on the prairie, where there were few people. Those roads were bankrupted, and the original builders lost all they put into them. New companies were organized, and the country has since filled up. Where it was a prairie then there are now thriving villages and big wheat farms, and there is a large business.

The CHAIRMAN. And you have great cities?

Mr. STURTEVANT. And great cities. The rates of freight were then very high, there is no doubt. Still the roads, as I say, became bankrupt. As the country has filled up, the rates of freight have been steadily reduced. Take it from the Northwest to this point to-day, and the rates of freight are not much more than half what they were ten years ago, when I first came here. They were reduced just before the great crash in prices last fall. The Manitoba road, for instance, reduced its rates 3 cents a hundred pounds. When the decline came there was a demand that the roads should reduce them more, but they said they had reduced them all they could. These complaints were the cause of the passage of this law last winter, which created a board of railroad and warehouse commissioners.

### MINNESOTA RAILROAD AND WAREHOUSE COMMISSION.

The CHAIRMAN. That law was passed during the session of the last legislature?

Mr. STURTEVANT. Yes, sir; that board of commissioners has a great deal of power. For instance, the law requires that on the application

of any farmer for a car the railroad company must furnish him with the car, and that it must not charge any more to one man for a single car-load than it does to a man who ships 100. That is an illustration of that law, but it has not been enforced. It was designed to settle this matter in that way.

The CHAIRMAN. That is a State matter. You say the law provides that you shall not charge more for 1 car-load proportionately than is charged where there are several car-loads?

Mr. STURTEVANT. No, sir.

The CHAIRMAN. It is so much a car, whether one or a dozen?

Mr. STURTEVANT. So much a hundred to all alike for the same distance and from the same point. It also provides that any railroad company shall allow any individual who wishes to do so to build an elevator or warehouse along their tracks, and that it shall furnish a side track. The law gives pretty large privileges as to the farmers. I think they ought to be satisfied with it as far as the freight coming this way is concerned.

#### AVERAGE RATES ON EAST-BOUND FREIGHTS.

With regard to the east-bound freight, I have watched it very narrowly for the last twelve years that I have been residing here. There were but two lines running east, or there was really but one independent line running east, when I came here. There was a good deal of complaint at times with regard to the rates of freight to the east. But the other roads have come in, and as the business has increased, coming from beyond here, the rates of freight have been steadily put down. I can give you about the rates at which they have gone down for some years. For the last three to five years I have rarely heard of any complaints with regard to the rates charged on interstate commerce. We will commence for instance at 1878.

The average rate for the year on 100 pounds of flour or wheat from here to New York by all rail was 51 cents a hundred; by lake and rail—that is, from here to Milwaukee, then across Lake Michigan to Grand Haven or one of those ports, and then by rail across—it was 49 cents; and by way of Duluth and Lake Superior it was 46 cents a hundred.

The CHAIRMAN. Does the Erie Canal come into use on any of those routes?

Mr. STURTEVANT. No, sir; that does not come in. I have been referring to lake and rail, all rail, and lake and rail by way of the Superior. The relative rate has been kept about the same.

In 1879 it was 50; in 1880 it was 48; in 1881 it was 45; in 1882 it was 45; in 1883 it was 1 cent higher, 46; in 1884 it was 37; that is, by all rail. It was 35 by the way of Milwaukee, and 33 by the way of Duluth.

#### THE DULUTH ROUTE THE CHEAPEST.

The CHAIRMAN. So that you can really ship cheaper by way of Duluth than by any other route?

Mr. STURTEVANT. Always, except perhaps since they have made this change, within a day or two, Duluth has always been about 5 cents a hundred cheaper than by the other routes; but it is a little longer.

Senator PLATT. How much longer?

Mr. STURTEVANT. From five days to two weeks. It depends a little upon the trip and the weather. Is not that so, Mr. Pillsbury?

Mr. PILLSBURY. You make a mistake. The rate has not been cheaper by lake and rail via Chicago; it has been cheaper all rail via Chicago.

Mr. STURTEVANT. You are talking of the Grand Haven route. That is not the regulating route. There are three ways via Chicago.

Mr. PILLSBURY. The Grand Haven rate is 2 cents a hundred less, and then by boat to Buffalo and by rail east it is generally 5 cents a hundred less than by rail to Chicago. The Duluth rate has generally been nominally the same as this rate by boat to Buffalo; but Duluth sometimes had to rebate a little to offset the longer time that it takes to go that way.

The CHAIRMAN. How does it happen that you have never used the Erie Canal?

Mr. STURTEVANT. From the length of time it takes; that is mainly the reason.

#### NO GENERAL CAUSE FOR COMPLAINT.

My own impression is that there is now no general cause in the community here for complaint. There is no complaint with regard to the service of the railroads and the water routes between here and the seaboard. I believe it is satisfactory.

The CHAIRMAN. We will take it for granted, then, that there is no complaint here. Suppose there is complaint at other places, and that Congress should feel constrained, in deference to public sentiment, taking the country over, to pass some law for the regulation of commerce between the States.

#### THE MASSACHUSETTS COMMISSION AS A MODEL.

Mr. STURTEVANT. A law which attempts to fix maximum or minimum rates of freight, or to provide in regard to the price between a long and short haul, I think would be very disastrous to the country. It would be disastrous to the railroads, it would be disastrous to the shippers, it would be disastrous to everybody, in my opinion. A law such as the Massachusetts law, giving those commissioners no judicial power, would, I think, be a most excellent thing, and I think nine-tenths of all the complaints that you find throughout the whole country, if submitted to such a commission as that—if you could get as good men on that commission as there are on the Massachusetts commission—would be settled satisfactorily to all parties without any litigation, and without any further legislation.

#### PUBLICITY OF RATES.

Senator HARRIS. Do you think it would be a wise and safe policy to require transportation companies to publish their rates and to adhere strictly to their published rates?

Mr. STURTEVANT. No, sir; they may publish their regular rates, but, though I may be wrong, I should doubt the propriety of saying that the transportation companies shall in all cases adhere to a given rate of freight published.

Senator HARRIS. Is there any reason why they should not adhere to it, unless you intend to allow them to discriminate as between persons and places?

Mr. STURTEVANT. Discrimination between persons and places depends entirely upon what you mean.

## WHERE DISCRIMINATION MIGHT BE PROPER.

Senator HARRIS. I mean discrimination.

Mr. STURTEVANT. There are a thousand circumstances which no one can imagine, which come up and may give cause, as to certain articles under certain circumstances, for a transportation company to justly vary from fixed rates.

Senator PLATT. If you should have a great fire and it should burn up half of Minneapolis, you would think the railroad company ought to put lumber rates down to the very lowest possible figure, I suppose, whatever their published rates might be?

Mr. STURTEVANT. For twenty years I was engaged in carrying. I was captain of a steamboat on the Lower Mississippi River. This is a fact—and the same is the fact with regard to railroads, to a certain extent—I could better run my boat at a loss of \$25 a day, if I could get anything to keep her running, than to tie her up. I would lose less by losing \$25 a day on the running expenses than I would lose by tying her up and discharging my crew.

## BUSINESS THAT CAN BE DONE AT SMALL PROFITS.

A railroad can better afford to run at a loss than to discharge its men and lay up its trains temporarily in case of dull times. That is just the case here. Here are Mr. Pillsbury and others who furnish to a railroad company three trains of freight every day. The railroads can depend upon that freight. It is so much they can rely upon. If all other business leaves them they have at least got that to depend upon. They can afford to carry that freight at a less price than they can carry two or three cars to-day and two or three cars to-morrow, as it comes in, without their knowing whether or not it is going to come in.

It is the same with regard to a longer distance. I always said it was necessary, and that it was a matter we had to do. I left New Orleans for Louisville. I charged more for carrying a ton of freight to Memphis than I did to carry it to Louisville. You ask, "Why did you do that?" Because, when I have started the boat the only extra running expense is the fuel; I have got to pay my crew. I can go right through and carry the freight to Louisville cheaper than I can stop at Memphis (burning coal all the time, my whole crew under pay all the time) and put out my freight.

## THE WHOLESALE PRINCIPLE.

So it is with railroad trains. Here is a train of twenty-five cars all right together. They are to go to Chicago. All that that railroad company has to do is to back in its engine and hitch on to those cars, put the smallest number of men on, just enough to handle that train while it is on its way to Chicago, and go ahead. Here is another train sent out at the same time. It has to pick up twenty-five cars at different places, beginning here and at Saint Paul, and the same at other stations, until the twenty-five cars are made up. They have got to stop at these stations and switch back their caboose. The engine is burning fuel all the time. Two or three more men are needed to run that train than to run the other. The engine backs up and hitches on to that car, and goes on and picks up another and then another and another. There are fifteen or twenty hours more occupied in making the run to Chicago than is occupied by the other train. About double the amount of fuel has to be burned.



Fuel is a very important item in running freight trains. Now, they can afford to carry that full train from here to Chicago at considerably less than they can to pick up cars on the way.

Senator HARRIS. I was going to suggest to you that the cases are not quite parallel, as the steamboat has to tie up and discharge freight.

Mr. STURTEVANT. Yes, sir; they are not quite parallel.

Senator HARRIS. The railroad leaves a car on the side track.

Mr. STURTEVANT. The train has to drop its caboose and take that car out and put it on the side track and come back again. There is a loss of time and a loss of fuel in each instance. They have to pick up the twenty-five cars; and while the delay and expense are not so great, still they are parallel cases.

Senator HARRIS. It involves the same principle.

Mr. STURTEVANT. We always got from 25 to 50 per cent. more for carrying freight to Memphis than to Louisville. We charged more to Vicksburg and to Natchez than we did to Louisville; and so with every way point. We made that a point, and all the boats did. It was necessary.

#### REASONABLE TERMS AND EQUAL FACILITIES REQUIRED.

Senator PLATT. A railroad is, by common law, bound to give reasonable terms and to furnish equal facilities, whatever they may be, to its patrons.

Mr. STURTEVANT. Yes, sir.

Senator PLATT. If it makes its through rates too low proportionately, and its local rates too high, then it does an injustice?

Mr. STURTEVANT. Certainly it does.

Senator PLATT. What do you think is the fact in regard to railroads operating in this section of the country in that respect; do you think the through rates are too low proportionately, and the local rates too high?

Mr. STURTEVANT. I think, with the exception of the point that Mr. Pillsbury made here, that just now, during the time that the lakes are open, the rates are rather low. I do not think the railroads can pay dividends on the actual cost of the road.

Senator HARRIS. You mean the through rates to the East?

#### THROUGH RATES TOO LOW, LOCAL RATES NOT EXTORTIONATE.

Mr. STURTEVANT. The through rates to the East. I do not think the railroads can pay dividends on the actual cost of their road if they did all the business at that price. But I think the rates at the interior points are not extortionate. I do not think they are unreasonably high. For instance, the mills are scattered all along down the Milwaukee road between here and the Iowa line, and above on the Iowa and Minnesota division and on the river division. Their prices are probably now a little higher than they are from here in consequence of this cut by way of Duluth, but otherwise they are generally about the same as they are from here. I think they are usually about the same from here, and as Mr. Pillsbury said, they get the advantage at those places in getting their wheat a little cheaper than we get it here. It may be they are a little higher sometimes, but it depends entirely upon the price of freight and upon the price they pay for their wheat.

## HIGHER RATES WEST THAN EAST OF MINNEAPOLIS.

The CHAIRMAN. How does the price of transportation of wheat from Dakota into Minnesota compare in rate per mile with the transportation from here to Chicago?

Mr. STURTEVANT. Of course it is much greater and it necessarily must be.

The CHAIRMAN. Why?

Mr. STURTEVANT. The railroads could not do it unless it was because from Chicago here they have a load both ways. They are running ten or fifteen trains a day each way over the road. Here they have but one train a day from that way. There is very little back freight except just what little merchandise there is to go back, and it would not pay for their running their trains to charge as low a rate per mile as is charged the other way.

The CHAIRMAN. That is what I supposed, but I wanted to get the facts upon the record.

Mr. STURTEVANT. There is the trouble of trying to make a maximum or minimum rate of freight by legislation. So many contingencies come in, the price depends upon so many different things, that no one but the men who are running the roads can know what they can afford to carry freight for.

## MAXIMUM AND MINIMUM RATES.

Senator PLATT. If a maximum and minimum rate should once be established your idea is that there is such a continued changing of conditions and circumstances that it would have to be varied; you would have to have new legislation?

Mr. STURTEVANT. You would have to have legislation every three months.

The CHAIRMAN. Practically, then, it would not answer?

Mr. STURTEVANT. Practically, it is impractically.

Senator PLATT. I judge that your conclusion, from what you say, is that in this section of the country there is really no necessity for national legislation on this subject?

Mr. STURTEVANT. Unless a commission is appointed of that kind that I spoke of. There are times when that might be of use to us.

The CHAIRMAN. There are times when a commission might be useful?

Mr. STURTEVANT. When a commission might be useful to us in bringing the railroads to terms. If it was an intelligent, good commission, it might be useful; I think I should be in favor of that law, but I would have just as little legislation as possible.

The CHAIRMAN. You do not feel any need of anything of the kind at present, but you think there might be occasions in the future, where a commission would be advantageous?

## POOLING.

Mr. STURTEVANT. Yes, sir. Among your queries is one in regard to pooling. In the early days when there were few roads they used to draw the reins pretty tight and attempt the establishment of some pretty exorbitant charges; but that is past now. When any pool dissolves and a new one is formed, the new one, in every instance, forms on a little lower rate. To-day they are probably making a new pool on east-bound freight to Chicago, the old one was 25 cents; the highest rate proposed in this pool is 20 cents a hundred; it was evidently going to pass at 15 cents a hundred, as the rate on grain.

The CHAIRMAN. Is this meeting of railroad men at this hotel engaged in that business?

Mr. STURTEVANT. That is a general association of car accountants; the men who keep track of cars. The pool I refer to was in session in Chicago yesterday, and they were pretty much agreed, but they wanted to consult the presidents; they will be in session again to-day.

#### FAST FREIGHT LINES.

Senator PLATT. A large proportion of the commerce from this part of the country to the sea-board is done by what is called fast freight lines, is it not?

Mr. STURTEVANT. Yes, sir.

Senator PLATT. Do you think it is a good thing to have independent companies of that kind, or should the railroads own and operate the cars? Would the rates to the public be less if the railroads owned and operated those cars?

Mr. STURTEVANT. Here is the great trouble in regard to that: If the railroad companies owned those cars themselves, in many instances they would not let them go beyond the lines of their own tracks. Between here and New York there are from three to five different companies generally, whose roads these cars have to pass over to get to the sea-board. One great object of these fast freight lines is this; for instance, take the Blue Line: The New York Central put on a certain number of those cars, and the Michigan Central puts on a certain number, and the other roads put on a certain number, and they carry them over their roads; those cars are for that through business. They have a separate agency which handles them; the roads actually handle them, but it is to facilitate the movement of through cars; that is one great object of these fast freight lines.

The CHAIRMAN. These different lines run over all the roads, do they not?

Mr. STURTEVANT. No, sir; some roads have more than one line running over them, but a given line runs over one set of roads from here to New York.

The CHAIRMAN. I thought I had seen White Line cars everywhere I have been.

Mr. STURTEVANT. When they leave the road at Chicago they send them anywhere.

Mr. PILLSBURY. The White Line is a southwestern line—a New York Central line. They never go over the Pennsylvania.

Mr. STURTEVANT. When they strike Chicago they only go over their road from Chicago to New York.

Senator PLATT. These independent organizations are understood to be profitable, are they not?

Mr. STURTEVANT. They are profitable as the railroad is profitable.

Senator PLATT. But they have a profit independent of the railroad, have they not?

Mr. STURTEVANT. Only for the use of their cars. They have so much for their cars.

#### CAR-BUILDING COMPANIES.

Senator PLATT. Then back of that is very often a car-building company, is there not?

Mr. STURTEVANT. That has nothing to do with the railroads. They are no more than our machine-shops here, or anything else.

Senator PLATT. They build cars and lease them, as I understand it?

Mr. STURTEVANT. They build cars and sell them just as the New Haven carriage-makers build carriages and sell them to whoever will buy them.

Senator PLATT. Are there not companies organized for the purpose of building cars who do not sell them at all?

Mr. STURTEVANT. Yes, sir; they lease them to poor roads. Some of these Western roads could not have been operated if they could not have got cars in that way. Many of them lease their cars and many of them lease their engines.

Senator PLATT. Whether it is for the business interests of the country or not, there are three independent companies sharing in the profits of the business which goes over these railroad lines?

Mr. STURTEVANT. Perhaps so, in some instances.

Mr. PILLSBURY. They are all wiped out.

Mr. STURTEVANT. It does not amount to anything.

The CHAIRMAN. How is it as to the Star Union Line?

Mr. STURTEVANT. The Star Line is the Pennsylvania road. They do a very large business here.

The CHAIRMAN. Would the Pennsylvania Company admit that it owns that line?

Mr. STURTEVANT. Yes, sir; they claim it. It is the Pennsylvania Railroad Company.

The CHAIRMAN. And what is the White Line?

Mr. STURTEVANT. That is the New York Central, and it runs southwest.

#### RESPONSIBILITY OF FAST FREIGHT LINES.

The CHAIRMAN. Suppose the White Line were making a shipment for you?

Mr. STURTEVANT. If that line gives a bill of lading the New York Central is bound by it.

The CHAIRMAN. Who would you sue if you had any controversy?

Mr. STURTEVANT. There is an agent in every place here who is authorized to sign a bill of lading.

Senator PLATT. He is the agent of whom?

Mr. STURTEVANT. An agent of the Star Union Line, for instance.

The CHAIRMAN. Who is the Star Union Line, if you had a judgment of \$50,000 against it?

Mr. STURTEVANT. It is the Pennsylvania Company.

The CHAIRMAN. Would the Pennsylvania Company step forward and admit that?

Mr. STURTEVANT. They do; and they pay damages, and everything of that kind, without any trouble. There is never any trouble about that; there is no catch about it. If they agree to pay the rebates they pay the rebates.

Mr. PILLSBURY. We sue the line here; we sue the first line that takes the shipment.

#### THROUGH BILLS OF LADING.

Mr. STURTEVANT. They give their own bills of lading, but there is also a through bill of lading given. If it is to go to New York it is given to New York; if it is to go to Liverpool, it is given to Liverpool; if it is to go to Antwerp it is given to Antwerp. There were last year shipments on through bills of lading to foreign ports, and no further

bill of lading was required. The money could be drawn on it wherever it was destined.

The CHAIRMAN. To Liverpool?

Mr. STURTEVANT. Yes, sir.

Senator HARRIS. They were bills of lading signed by the agent of the freight company?

Mr. STURTEVANT. There are agents of these steamship lines here.

Senator HARRIS. You take the bill of lading here of the agent of the Star Line, for instance?

Mr. PILLSBURY. As a matter of fact, we do not go to the trouble of going to those agents. If we ship from here to Chicago on the Northwestern line we take the bill of lading of the Northwestern Company, and that is way-billed to Liverpool. If we had to sue we should sue the company here.

Senator HARRIS. But do you ship by these fast freight lines?

Mr. PILLSBURY. Yes, sir.

Senator HARRIS. And when you ship by these fast freight lines you take the bills of lading of the railroad company and not of the fast freight lines?

Mr. PILLSBURY. Yes, sir; and then if we want a bill of lading it is taken to the fast freight-line agent and he gives a through bill of lading.

Mr. STURTEVANT. On European freights that is generally done.

Mr. PILLSBURY. Yes, sir; we take a through bill of lading.

Senator HARRIS. Suppose there was a loss and you wanted to sue, would you sue the railroad company or fast freight company?

Mr. PILLSBURY. We put a claim in against the fast freight company, but if we were going to commence the suit we would sue the first company here that the freight started with.

Senator HARRIS. Have there been suits here of that character of which you have knowledge?

Mr. PILLSBURY. Never. We have no complaints at all in that line, in any way, shape, or manner.

Senator PLATT. Is there any provision in your bill of lading which is issued here on freight to foreign ports that the contract has to be subject to the laws of the foreign jurisdiction; for instance, of English jurisdiction?

Mr. STURTEVANT. I have never heard of anything.

Mr. PILLSBURY. It is a bill of lading, like an insurance policy. If you take it with all that is on the back of it it is good for nothing.

The CHAIRMAN. But you have no trouble, you say?

Mr. PILLSBURY. No, sir.

#### SHIPMENTS OF FLOUR FOR EXPORT IN 1884.

Mr. STURTEVANT. There were shipped from this city on through bills of lading to foreign ports during the year 1884 1,805,876 barrels of flour. That is one-fifth of all the flour that was exported from the United States in 1884.

Mr. PILLSBURY. You want to bear in mind that we have to pay a duty on the sacks.

Mr. STURTEVANT. The immensity of the business of that kind is the reason why we watch it very closely, and are probably pretty well posted on it.

The CHAIRMAN. How much do you ship from here that does not go out of the country?

Mr. STURTEVANT. I will tell you exactly how many barrels we ship.

That export trade, by the way, you would perhaps like to know the growth of.

The CHAIRMAN. It would be interesting.

Mr. PILLSBURY. Some of the flour goes out of the country that is shipped locally, in addition.

#### GROWTH OF EXPORT FLOUR TRADE.

Mr. STURTEVANT. There is a great deal shipped to New York that is exported from there. But this is what we ship directly. The first flour shipped from here was in 1878. There were 109,186 barrels shipped. The next year, 1879, there were 442,000 barrels shipped. I will not give the odds and ends, but those are round numbers.

Mr. PILLSBURY. You are speaking of foreign shipments?

Mr. STURTEVANT. Yes, sir; this is foreign; this is for exportation. In 1880 there were 769,000 barrels shipped; in 1881, there were 1,181,000 barrels shipped; in 1882, there were 1,201,000 barrels shipped; in 1883, there were 1,343,000 barrels shipped, and in 1884, there were 1,805,000 barrels of flour shipped. That product, it is shown, was all made here; for the entire receipts of flour here, from all other sources, were only one hundred and one or two thousand barrels; not equivalent to the city consumption. Going back to 1878, there were 940,786 barrels; in 1879, 1,551,000 barrels; in 1880, 2,051,000 barrels; in 1881, 3,142,000; in 1882, 3,175,000 barrels; in 1883, 4,046,220 barrels; in 1884, 5,317,672. For the first six months of this year we are about 400,000 barrels ahead of the same months of 1884.

The CHAIRMAN. It goes up regularly every year?

Mr. STURTEVANT. Yes, sir.

Mr. PILLSBURY. That would indicate 6,000,000 barrels.

#### WHEAT RECEIPTS OF MINNEAPOLIS.

Mr. STURTEVANT. At the same rate we will make about 6,000,000 barrels of flour. People do not generally believe it, but it is a fact that we receive more wheat than any other city in the United States, except New York, and within 3,000,000 bushels of New York. We are about 4,000,000 ahead of Chicago and 4,000,000 ahead of San Francisco.

The CHAIRMAN. That comes in here from all this northwestern country?

#### THE WATER ROUTES A LEVER TO REGULATE RAILROADS.

Mr. STURTEVANT. Yes, sir; I do not suppose you want an answer to this question in regard to water routes. All we have said to-day will indicate that we consider them as a lever which holds the railroads level.

The CHAIRMAN. We would like to have your opinion upon that subject.

Mr. PILLSBURY. We are red hot on internal commerce. There is one explanation I wish to make. The farmers of this Northwest all get the benefit of these low rates between here and the East. I do not think, if they understood the matter, they would want anything like the Reagan bill. While it might possibly benefit them a little in getting their wheat to Minneapolis, they would lose more from there on. That is the point I wish to have understood. I think farmers would like the principle if it could be applied from Dakota to Minneapolis and Duluth, but I think it would cut their freights after they got to Minneapolis.

## PRODUCER AND CONSUMER BROUGHT TOGETHER.

Mr. STURTEVANT. This is the fact. Take the record of the prices of wheat here for the last ten years and the average price that the millers have paid for it here, and add to it the regular freight from here to Chicago, and it is over 6 cents above the Chicago price. It has averaged that right straight through those years. The farmers reap every particle of the benefit of these low rates. There is nothing in the world that comes as near putting the consumer and producer side by side as the way in which the milling business is done here. The millers buy their wheat from the farmers. They pay them the price here less whatever the transportation is to this place from the point where they buy it.

Mr. PILLSBURY. Transportation and elevator charges are reasonable?

## METHODS OF BUSINESS OF MINNEAPOLIS MILLERS.

Mr. STURTEVANT. Yes, sir; and the handling, the storage there. There are no middle men. They know here every day how much money has to go out. It is sent out from here every day to all points to pay for the wheat as it comes in. That wheat goes right to the mills. It is ground, and nine-tenths, I think, of that flour is sold to go directly to the place where it is going to be consumed, without any commission paid to anybody, either in this country or in Europe. There is very little flour here that goes into the hands of commission men. It is sold at the mills deliverable at the place of consumption. Instead of the flour going to New York and to Boston, to be distributed through New York and New England at the country places, it goes directly from the mill to the place where it is going to be used.

Senator PLATT. We have heard some complaints of that sort along the line. It was said that you had favors from the railroad companies which enabled you to do that.

Mr. STURTEVANT. No, sir; the commission men of New York and Boston used to have a big thing in selling the flour.

Mr. PILLSBURY. We pay two rates. We pay the regular rates from here to New York, and we pay the regular ocean rate. It is the same from here to Chicago.

## EFFECT OF EQUALIZING EASTERN AND WESTERN RATES.

Senator PLATT. I would like to ask Mr. Pillsbury this question: From here to Chicago, which is 450 miles, I understand, the rate is the same as the rate from Chicago to New York, which is 1,000 miles. Admitting that the rate from Chicago to New York is too low, and admitting, if you please, that the rate from here to Chicago is too high, would it be any benefit to Minneapolis to have the rate raised from Chicago to New York, and cut down from Minneapolis to Chicago?

Mr. PILLSBURY. I do not think it would make the least difference in the world. You have to pay just so much money, and it does not make any difference where it is paid.

The CHAIRMAN. It would not make any difference on your flour, but it might make a difference in the general freight business if the rates were reduced between here and Chicago. Is Chicago the point where your merchants buy goods?

Mr. PILLSBURY. Not a great deal.

Mr. STURTEVANT. There is a large dry-goods business here.

Mr. PILLSBURY. Grain and flour rates are generally uniform; almost

invariably so. It is classified the same. That is the rate we have been talking about.

Mr. STURTEVANT. Provisions are higher. Provisions are 5 cents. The difference between flour, wheat, and provisions is 5 cents a hundred.

The committee then adjourned to meet at Saint Paul, Minn., at 10 o'clock a. m., June 25, 1885.

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SAINT PAUL, MINN., *June 25, 1885.*

The committee met at 10 a. m., pursuant to adjournment.

The CHAIRMAN. Gentlemen, we are here as a committee of the Senate of the United States for the purpose of investigating the general subject of interstate commerce, and especially for the purpose of hearing the views of gentlemen representing the different business interests of the country as to whether the management of railroads is satisfactory to the people, and if not, what complaints they make, and what remedies they suggest should be enacted by Congress into a law for the purpose of curing such evils as may exist. Mr. Fulton, as I understand it, is desirous of going away early, and we will hear him first.

#### M. A. FULTON'S STATEMENT.

M. A. FULTON, late country merchant of Hudson, Wis., appeared.

The CHAIRMAN. You understand the general scope of our investigation. Will you please go right along and state your views on the subject?

Mr. FULTON. I will do so as briefly as may be. They probably differ quite largely from the views of many others.

The CHAIRMAN. We listen to all sides.

Mr. FULTON. Perhaps it is as well that I should state my views first.

The CHAIRMAN. What business are you engaged in?

Mr. FULTON. I have been for many years a country merchant in a village just over here in Wisconsin. I am not now actively engaged in business.

The CHAIRMAN. Are you a resident of this city?

#### THE KIND OF LAW DESIRED.

Mr. FULTON. No, sir; I live-over here in Wisconsin, close by. We desire that Congress shall enact a law with regard to interstate commerce which shall prohibit discrimination as between individuals at the same places; that it require the rates to be open, so that a man shall know, without being a courtier of the railroad official, what the rate is by the car-load, or by ten or a hundred car-loads; that no discriminations or rebates shall be allowed whatever. The next thing we desire most, after that, is a very stringent law which shall prohibit a railway company charging more over the same rails for a shorter distance than is charged for a longer distance. We think that is very essential to the good of the whole country, to protect every interest in the country. Of course, in connection with that, while there are some differences of opinion in that respect, and while I would not be so particular about it



myself, yet on the whole I think it would be important that we should have a law which should prohibit a pooling of earnings between railroads.

Another thing we want is a law which shall prohibit a railway company, if it is sued by a man for overcharging or for discrimination, from taking any more advantage of that man than of a common individual. We want it so fixed that if I have a difference with my railroad company about some freight I can go before the nearest justice of the peace and sue the railroad company and try the question there, and then let them appeal it to the next court above in the State, and so on to our highest court in the State. But we do not want them to be able to bounce us about into the United States court, and go 200 miles away, and have to pay more for the cost of getting our witnesses there than the whole controversy is worth. If we have litigation with the railroads, we want it fixed so that we shall have a fair and square deal with them, just as we would between two citizens in our own State. Let the difficulty be settled in the courts of our States. We would like to state a few complaints.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. State any grounds of complaints that your people may have in your State.

Mr. FULTON. I desire in a brief way to state a few of the objections. One objection that is urged by some to a law which shall prohibit a railway company from charging more for a short than for a long distance is this: That the tendency would be to raise the rate between Chicago and the sea-board, if you please. That is, if we prohibit the railroad running from Chicago to New York from charging more, we will say, to Johnstown, Pa., or to Cumberland, Md., or to Montpelier, Vt., than is charged to the sea-board, it will have a tendency to raise the rate of freights between Chicago and the sea-board. This we deny. It could not have such a tendency. For all practical purposes to-day, Chicago, Milwaukee, and Duluth are the sea-board of these Western States. For instance, you will notice, if you have taken the Chicago papers for the last week or two weeks, that the rates of freight on wheat by steam-propeller between Chicago and Buffalo range from 1 to  $1\frac{1}{2}$  and  $1\frac{1}{2}$  cents a bushel.

The CHAIRMAN. You mean the transportation charge?

#### RATES BY WATER AND ALL-RAIL COMPARED.

Mr. FULTON. Yes, sir. The daily telegrams from Buffalo quote the rates of freight on grain from New York to Buffalo. The last I noticed was 3 cents a bushel on corn, and  $3\frac{1}{2}$  cents a bushel on wheat. This is by lake and rail. The rate all-rail through is somewhat dearer. The last I noticed yesterday was 13 cents a hundred on grain and provisions from Chicago, all rail, to the sea-board.

The CHAIRMAN. What is it by water, by lake and canal?

Mr. FULTON. It is 5 cents a bushel on corn, or less than that;  $4\frac{1}{2}$  to  $4\frac{1}{2}$  cents a bushel on corn from Chicago to New York. Perhaps it might be 5 cents. I believe the last I saw was 5 cents a bushel on corn from Chicago to New York, and on wheat from Chicago to New York it was  $5\frac{3}{4}$  cents a bushel. For all practical purposes the seaboard of these Western and Northwestern States, including Illinois and the eastern part of Kansas and Missouri and Nebraska and those places, is Duluth, Chicago, and Milwaukee.

## AN ABSOLUTE LAW, NOT A COMMISSION.

We want an absolute law, if you can consistently give it to us, and we do not want our justice strained through a commission, because our experience with a commission—and I say it with regret, because here is our friend, a commissioner of Wisconsin—is that they are not only worthless, but worse than worthless.

The CHAIRMAN. You consider them an absolute obstruction?

Mr. FULTON. Yes, sir; we consider them an absolute obstruction. We want it enforced by the ordinary courts and juries of the country. Give us a plain law, and fix it so that the local courts and juries can understand it.

## THE LONG AND SHORT HAUL.

Senator HARRIS. You mean that the railroad companies shall be prohibited from charging more in the aggregate for a short than for a long haul?

Mr. FULTON. Yes, sir; not more per ton per mile. For instance, I would be willing, taking the case of the road upon which I live, the Chicago, Saint Paul, Minneapolis and Omaha Railway, that they should charge as much for hauling a given car-load of freight from Chicago to a point 100 miles from here as they do to Saint Paul. But in point of fact they charge perhaps \$20 to \$40 a car more. That does not benefit Saint Paul. It only makes an undue and strained competition against legitimate business going on from this river. You understand that if the rate from Saint Paul to Chicago by these rails is a fair and just rate, then the rate from these points in the interior, say \$25 or \$40 a car more, if you please, are extortionate. If the rate to and from Saint Paul is less than a fair rate, then these steamboats on the river are unduly and unfairly competed with and money is unduly extorted from people in the country who cannot help themselves.

## TIMES WHEN RATES ARE TOO LOW TO PAY.

Senator HARRIS. Is it not true as to one of these competing points, such as Saint Paul and Chicago, that in what is termed railroad wars, when they are cutting under, they not infrequently reduce their freights below a point that pays a reasonable compensation to the common carrier?

Mr. FULTON. That is generally believed to be true, and I believe it to be true; but of course I do not know. I have known the rate of freight from here to Chicago to be down to 5 cents a hundred during the time of a fight. I suppose it was less than it was worth.

Senator HARRIS. Then is it not equally true that the law you refer to, prohibiting the charge of more in the aggregate for a short than for a long haul, would tend powerfully to restrain the common carriers at these competing points from reducing upon the through freights below a point that would compensate them, if they had to make the same cut or a proportionate cut all along the line?

Mr. FULTON. Yes, sir; I think it would.

The CHAIRMAN. I believe you said you had been a merchant?

Mr. FULTON. I have been; and I have been somewhat of a grain shipper. I am now mainly interested in farming.

The CHAIRMAN. In what kind of transportation are you interested, State or interstate?

Mr. FULTON. Well, mostly interstate.

The CHAIRMAN. Your traffic runs through different States, or into different States?

Mr. FULTON. Yes, sir.

#### RECAPITULATION OF OPINIONS AS TO LEGISLATION.

The CHAIRMAN. I understood you to say you did not believe in any commission?

Mr. FULTON. No commission whatever.

The CHAIRMAN. And that you did not believe the pooling system ought to be allowed?

Mr. FULTON. I do not think it ought; no, sir.

The CHAIRMAN. You do not believe rebates and drawbacks should be permitted?

Mr. FULTON. I think they ought to be prohibited.

The CHAIRMAN. You do believe that publicity of rates should be required?

Mr. FULTON. Yes, sir.

The CHAIRMAN. You do believe that transportation companies should not be allowed to charge more for a short than a long haul?

Mr. FULTON. Not more for a short than for a long haul over the same rails.

The CHAIRMAN. Is there anything else that you believe in or do not believe in?

Mr. FULTON. Nothing in particular. I could cite you some very marked instances that are now going on, and have been quite recently, that will illustrate the weakness of these things.

The CHAIRMAN. We would like to hear them.

#### INSTANCES OF UNJUST DISCRIMINATION.

Mr. FULTON. I will cite you, for instance, one thing that I was told within a week by a gentleman from Elmira, N. Y. I am well acquainted with the Delaware and Lackawanna and the New York and Erie. They have each a railway running through the same town and almost on the same right of way. In early days, when the Erie railway was first built, the Chemung Canal ran into Elmira. The Erie railway, by undue discrimination, broke down that Chemung Canal and got the State to abandon it. Then it had a monopoly in that part of the country for quite awhile. Now the Lackawanna road is there. The result is that a class of freight is hauled for 9 cents per 100 pounds to New York; whereas down in Goshen, and almost down to the Hudson River, and at Narrowsburg, and places less than one-third the distance on the line of the Erie Railroad to New York, they charge, perhaps, two-and-a-half to four times the rate between Elmira and New York.

The CHAIRMAN. That is hearsay?

Mr. FULTON. It is hearsay; but I can give you my authority. It is no doubt true. The same thing operates as against the towns in Pennsylvania along the line of the Delaware and Lackawanna road. They have to pay, for instance, for that desperate effort of the Lackawanna company to break down the Erie; and the towns at the non-competing stations on the Erie have to pay for the desperate effort of the Erie to break down the Lackawanna. Those towns have no interest in paying it. That is only one instance.

## THE LONG AND SHORT HAUL.

The CHAIRMAN. You feel assured that it would be a safe thing for Congress to pass a law prohibiting the charging of as much or more for a short than a longer haul?

Mr. FULTON. I do. It would not hurt Saint Paul, although these people are generally opposed to it. It would not affect them adversely, but would affect them favorably.

The CHAIRMAN. The reason for that is that they have water close by?

Mr. FULTON. Yes, sir; they have water close by, and besides that they are always sure, from their natural situation and surroundings and from the nearness to our sea-board, to have a fair rate.

The CHAIRMAN. Do you suppose that is true of the whole country?

Mr. FULTON. Yes, sir.

The CHAIRMAN. Do you think it is true of Nebraska and Iowa?

Mr. FULTON. I do; yes, sir. There are so many competing points in Nebraska, and those places where railroads compete with one another, that I think it is reasonably true that Kansas City, for instance, would always get a fair rate to Chicago. Anyway, whether it would or not, it seems to me it is unfair to the man living 100 miles east of Kansas City, in Iowa or Missouri, to be charged \$10 a car more to get a car-load to his place than is charged to the man in Kansas City to get it there right over the same rails. It does not seem right to make him pay to build up Kansas City or anybody else.

## NEW ENGLAND PAYING TO BREAK DOWN A TEXAS ROAD.

I know now of a circumstance that is a remarkable instance where the people in a New England State helped to break down a railroad in Texas. They had no interest in it, and yet they, clear from Vermont, paid for doing it. There was a forced contribution made upon them clear up in the State of Vermont to break down the railroad in the State of Texas. They could not help themselves.

The CHAIRMAN. What purpose had they in view?

Mr. FULTON. They had no interest particularly in it, but the case was like this: There was a considerable consignment of cotton from a competing point on the Houston and Texas Railroad that was shipped and finally went over the Vermont Central Railroad in Vermont. It was destined for Lawrence and Lowell, in Massachusetts. The natural outlet for that cotton would have been Galveston, and then by coasting vessel around the coast. But by a discriminating competition exercised in favor of Dallas, and made up in other points in Texas that could not help themselves, and also made up by other overcharges on the people in the interior points of Vermont, they carried that cotton at so low a rate that the Vermont Central Railroad, for its whole length of line for carrying that cotton, which is a very dangerous traffic on account of fire, only got for its share of the business about 30 cents a car-load.

The CHAIRMAN. For carrying it how far?

Mr. FULTON. I think it was 180 miles; maybe it was 280 miles. I never was in Vermont, but I have this information from a very reliable man who knew all about it and who made the figures himself and showed them.

## ANOTHER INSTANCE OF LOW CHARGES.

I will tell you of another case about a large shipment of flour that was shipped from Albany to Boston over the Vermont Central Railway

at the rate of \$20 a car; but the terminal charges both in Boston and Saint Louis were especially heavy, and the Vermont Central Railroad, for its share for carrying that flour through the whole State of Vermont, from one end to the other, got, I think the figures were, 59 cents a car.

#### ANOTHER INSTANCE OF UNJUST DISCRIMINATION.

The same gentleman told me another thing. He lives in my county, and is one of the most reliable men I know. He said the common ordinary rate at that time on flour from Milwaukee, all-rail, to Boston, over the Vermont Central Railroad, was \$32 a car-load; but at such places as Montpelier—I can't remember the towns—the rate was in every instance over \$40, and in some instances \$50 a car more to let that flour, or, if you please, that meat, which they had to buy and use, stop off there. In other words, they charge a great deal more to take a car-load of bread or meat from the Western States to the interior towns in New England than they would carry it for over the same rails to Boston or Portland.

The CHAIRMAN. Do you not think it costs more sometimes to drop a car off on a side track than to take it through to the terminal point?

Mr. FULTON. I do not believe it, but I do not say it does not. The terminal expenses in this city cost terribly. Everything is always congested in the cities. Everything is congested here. So it is in New York and in other cities. In the country you can more easily get freights.

Senator HARRIS. If it does cost more for the short haul, such cases would be very exceptional, would they not?

Mr. FULTON. Very exceptional, in my judgment.

#### RAILROAD COMMISSIONS WORSE THAN USELESS.

Senator HARRIS. You say that railroad commissions are not only useless, but are worse than useless.

Mr. FULTON. Yes, sir; I believe that is the experience of every State from the time of Charles Francis Adams down to that of my friend here, for whom I have the very highest respect. I know him as a man and as a neighbor.

Senator HARRIS. Do you know the history of the Massachusetts commission?

Mr. FULTON. I know something of it.

The CHAIRMAN. Do you think the Massachusetts commission is of any account?

Mr. FULTON. Nothing at all. It is worse than nothing.

The CHAIRMAN. You and the people do not agree.

Mr. FULTON. I think it would turn out that a great many people who do not ride with passes in their pockets would agree with me.

Senator PLATT. What do you mean by that?

Mr. FULTON. I do not think the people of Massachusetts think it does much good for them.

Senator PLATT. Do you mean to intimate that the people we examined were people who ride with passes in their pockets?

Mr. FULTON. I do not know about that.

Senator PLATT. Are you aware that we examined all classes?

Mr. FULTON. I do not doubt that.

Senator PLATT. Do you think we picked out people with passes in their pockets?

Mr. FULTON. Not at all. I beg pardon.

Senator PLATT. Do you think we did not get a fair representation of the feeling in Massachusetts?

Mr. FULTON. I do not know about that.

Senator PLATT. If everybody there agrees that the Massachusetts commission has been a good thing, there is a possibility that you are mistaken.

#### THE MASSACHUSETTS COMMISSION WORTHLESS.

Mr. FULTON. I might be. I will tell you the reason for my opinion. If I am mistaken in my basis of facts I am mistaken all through. And if I am not, then the commission in that State is not only worthless but is worse than worthless. If any considerable interior village in Massachusetts has to pay more to get a car-load of wheat or flour or meat delivered to it from Chicago than the same rails right through the same town carry the same product for to the congested wharves of Boston, then, unless that is protested against, that commission, I would say, is a fraud.

#### MASSACHUSETTS SHORT-HAUL LAW.

Senator PLATT. Are you aware that they have a short-haul law in Massachusetts—just the law you advocate?

Mr. FULTON. I was not aware of it.

Senator PLATT. Are you aware of the further fact that it relates to their domestic business, and has been enforced by the commission and acquiesced in by the railroad companies?

Mr. FULTON. I was not aware of it. As you seem to be pretty well posted about it, I would like to ask a question. Can you go to Chicago and buy a car-load of bacon or a car-load of flour and ship it to an interior city in Massachusetts, over a through road running right to Boston, as cheaply as you can contract to take it to Boston?

Senator HARRIS. That is a question of interstate commerce, and not of State commerce.

Senator PLATT. As we are here to ask questions and not to answer them, I might decline to answer. But I will say this: That the Massachusetts people of all classes think that if they could have a commission which would affect interstate commerce as well as their commission has affected the domestic commerce it would be a great benefit to them.

Mr. FULTON. It is possible that I am in error; but I supposed that the interior towns in Massachusetts were paying a dollar per barrel extra on their flour, simply because everything had to be hauled right through to Boston and then back to these towns.

Senator HARRIS. Suppose it were true that every citizen of the State of New York and every citizen of the State of Massachusetts who feels that he has been injured by a transportation company can, by postal card or by letter or by personal application, lodge his complaint with the railroad commissions of those States, and when that complaint is lodged there the matter is carefully investigated upon a full hearing of both sides, the commission arriving at its conclusion after a full hearing and thorough investigation, and assigning the reasons for its conclusion; and if they decide against a complainant they give to him the reason, and if they decide against the railroad company they give to the company the reason; and suppose both the people and the transportation companies have acquiesced in the decisions of the commission, and

whatever evils existed have been remedied, if those facts appear to be true, as they did appear to be true to us, from testimony coming from all classes of citizens—

Mr. FULTON (interrupting). In what State?

Senator HARRIS. Both in New York and in Massachusetts. If those facts are true, would you still think, after the long years of experience of those commissions, that a railroad commission was not only useless, but worse than useless?

#### DISCRIMINATION AGAINST PLACES ILLUSTRATED.

Mr. FULTON. Yes, sir, I would; although that should be accepted with some modifications, and with the explanation I will give. For instance, I have a brother-in-law who is engaged in business. I cannot tell you just how long it is, but a few years ago he had peculiar facilities for buying a manufactured article, manufactured at an interior city in the State of New York—the city of Utica—at a very low rate. He could buy that manufactured article very cheaply. He could not get it shipped to the West over their rails without paying a very discriminating tariff; but he shipped it to New York City from Utica and then right back over the same rails, and saved 46 cents a hundred pounds. If that is in vogue in New York, and the railroad commissioners of that State do not cry aloud against it, and call the attention of the public in every way to that discrimination against the business of an interior town or city in their State, I claim that they are not doing what they ought to do, and what the courts and juries would enforce if Congress enacts an interstate-commerce bill which would enforce the common law.

Senator HARRIS. Do you recognize this fact—that a State railroad commission has no jurisdiction whatever over the commerce beginning in one State and ending in another?

Mr. FULTON. Yes, sir; I do.

Senator HARRIS. That it has only jurisdiction over the commerce of the State itself beginning and ending in the State?

Mr. FULTON. I understand that.

Senator HARRIS. And that it can have no control over interstate commerce?

#### WISCONSIN COMMISSION LIMITED IN POWER.

Mr. FULTON. I understand that question thoroughly. Of course, there is this thing to be said in extenuation of the course of our Wisconsin officials in this matter, that our legislature has really tied them up. We have got an old law which authorizes the railroads to charge all that was charged by their tariffs in force on the 15th day of June, 1872; and that tariff had a great many discriminations in it and was a very high rate. Of course, our Wisconsin commissioners could not do much if they tried, but they do not call the attention of the people to the discriminations, as I understand it. I have not read their reports of late years. They give out that the people are pretty well satisfied, while it is not true. There is not a station in my county, there is not one business man of any kind or description in the town where he lives who is satisfied with the railroad managers. I do not know that he has given it out, because I have not read that part of the reports; but his predecessors gave out that the feeling between the people and the rail-

roads is very harmonious; whereas, in fact, while I will not say it is very inharmonious, it is not at all satisfactory at the non-competing stations. They feel that they are being extorted from, and that they are charged double price.

The CHAIRMAN. On long hauls or short hauls?

Mr. FULTON. On any kind where they do not have the advantage of competition. Of course their freight goes from Chicago to New York or from New York to Chicago just as cheaply as anybody's freight; but at those local stations they are charged too much; for instance, in my own county to-day they are charged about 15 cents a hundred pounds more to ship grain than the same rails take it past them for to-day from this town to Chicago.

The CHAIRMAN. How much nearer are they?

Mr. FULTON. Say, 50 miles nearer. We do not want to pay for an undue competition with the boats on this river, or for an undue competition on these other roads. We are willing that there should be a fair competition with the boats, but we do not want to pay a cut-throat competition.

#### RATES TO SAN FRANCISCO CHEAPER THAN TO OGDEN.

I want to illustrate by another thing. You may all have thought of it, but not in this view. Take the case of freights between New York and San Francisco. We will suppose that Senator Cullom goes to New York to buy some goods. He wants to ship 5 car-loads to Ogden and 5 to Reno and 5 to San Francisco. He can ship to San Francisco by several ways, around the Horn or by the Pacific Mail or by all rail. If he goes to the railway office, he will find that they will ship his 5 car-loads to San Francisco at, perhaps, \$50 or \$100 a car less than they will take it to Reno, Nev., or to Ogden. One of two things is inevitable. If the all-rail rate to San Francisco is a fair rate, then the rate to Reno or Ogden is extortion. If the all-rail rate to San Francisco is below a fair rate, then the people at non-competing stations are extorted out of money to unduly depress the vessel interest engaged in the coasting trade of the United States. We want them fairly and fully competed with. We want these canal-boats and steamboats on the river and the vessels on the lakes competed with to the last degree that is right; and we do not want the people at the non-competing stations in Vermont and Minnesota and Wisconsin and Texas to be choked out of money unduly.

We want every interest in this country to live. I have interests in railroads. I do not want railroads to be depressed; it would injure me as much as it would injure any one; but I do not think they are making any money by skinning people who cannot help themselves, and by helping people who can.

#### DULUTH ROAD PURCHASED BY COMPETING ROADS.

Here are some Saint Paul gentlemen present, and I want to state this right before them, because it has occurred here in Saint Paul. A few years since, the Saint Paul and Duluth road leading from here to Lake Superior was bought up by some competing lines; divergent lines, to be sure, but competing lines.

The company upon whose line I live, the Chicago, Saint Paul, Minneapolis and Omaha Railroad Company, paid \$774,000 to purchase its



share of that line for the purpose of crippling and destroying its competition. It was said at that time, and I suppose it was true, although I never saw it in the Chicago, Milwaukee and Saint Paul Company's report, that that road paid a like amount of money toward the purchase of the Duluth road. Prior to the time of purchasing it they had been fighting it fiercely, and they had been charging the people at non-competing stations down here in Wisconsin two and a half and three times the rates sometimes that they charged from here in competition with the Duluth road. And it is but fair to presume that they obtained this large amount of money which was used in buying up the Duluth road, and thereby stopping the competition, from these people at non-competing stations. They in all probability paid money first to destroy the Duluth road, and then, after its head was greased and its ears were pinned back, to swallow it to the injury of Saint Paul and to the injury of every sectional interest in this country. We did not want to pay money to hurt the Duluth road. You can see how it works; wherever there is discrimination of that kind, wherever there are very low rates at one point, perhaps lower than there ought to be, and they are made up at some other point, you do not know where it will strike or what mischief it will do even to the competing point.

#### DISCRIMINATION AGAINST SAINT PAUL.

Before I forget it, I wish to say, while there are some Saint Paul gentlemen here, that I read in the Saint Paul Globe of about two months ago a New York dispatch. I wish to call the particular attention of these railway commissioners to it. It is this: that the Chicago and Northwestern Railway had made a discriminating rate on Montana freight by which first-class freight going to Montana could be laid down in Saint Paul from Chicago and from points east of Chicago at 15 cents a hundred pounds lower than freights coming directly to Saint Paul to be distributed by these merchants. Of course the reason of that must be that the Chicago and Northwestern Railway were compelled to do it in order to meet the competition of the Utah Northern and the Union Pacific Railroads. The result of it will be—perhaps it is not the object—if that discrimination should be continued long enough, to perhaps bankrupt the Utah and Northern Railway. As I understood that dispatch, how long can the merchants of Saint Paul and Minneapolis sell goods to those competing points in Montana if they have to pay 15 cents a hundred more for freight laid down in Saint Paul than the same freight is carried for right by them? How much interest have the people of Saint Paul in bankrupting a road running through Utah to Montana? Have we any more interest in that than the people had in doing the same thing to the road to Duluth?

The CHAIRMAN. You will have to make your remarks a little brief, as there are a good many gentlemen here from Saint Paul who wish to be heard.

Mr. FULTON. I beg pardon. I wanted to say this so that they could answer it.

The CHAIRMAN. We would be very glad to hear you further, but we have only time to get at the views of gentlemen briefly, as we must stop to-night. We have been in the habit of listening to the railroad commissioners, and we only varied from it this morning because we were told you had to go away.

Mr. FULTON. Yes, sir; I had to leave early this morning.

## GEORGE L. BECKER'S STATEMENT.

Mr. GEORGE L. BECKER, railroad commissioner of Minnesota: My functions are somewhat like those of the committee, to listen rather than to speak; and I wish to suggest that the commissioner of Wisconsin, whom I have never met before, is here and is entitled to the courtesy of being first heard.

The CHAIRMAN. We would be very glad to hear from the commissioner from Wisconsin, but we feel that it is due to the business men of the city that we should first give them an opportunity to be heard.

## WILLIAM B. DEAN'S STATEMENT.

WILLIAM B. DEAN, merchant, of Saint Paul, appeared.

The CHAIRMAN. You are perhaps somewhat acquainted with the scope of our investigation. We would be glad to hear what you have to say either in the way of complaints first, or if you have none, then your general view on the question whether Congress should do anything; and, if so, what, with reference to the subject of interstate commerce.

Mr. DEAN. We had a meeting of our jobbers' union transportation committee, and they desired me to express their views, which I shall do very briefly on two or three points which I understand are included in your investigation.

## A NATIONAL COMMISSION.

First, as to the creation of a commission. Upon that point the jobbers' union is emphatically favorable. We believe the railroad question is comparatively in its infancy and is an exceedingly complex one. We believe that the laws which will ultimately govern it have hardly begun to come to the surface, and that those laws would be evolved and made equal more quickly through a commission whose attention would be directed to the examination of complaints and the suggestion of remedies than by any method now in vogue.

A man may have a complaint against a railroad company, and he may make representations to the railroad company which will secure a remedy; and it is just as likely to arise and the remedy to be secured through his favorable relations with the officers of the company as from the justice of his claim. The commission will, of course, view all complaints from an equitable standpoint, and will presumably do what is right as between the transporter and the consignee.

There are, of course, very many reasons which it is unnecessary in your presence, if you are examining the question, to take up, favorable to the creation of a commission, from the fact that the law has worked so advantageously in the State of Massachusetts, as I believe it has, and also in the State of New York, and to a considerable extent in our own State, although we feel that our own laws have not been altogether adequate so far to the best working of the commission. We believe, from the example of these older States, that the United States commission which will control commerce between the States, empowered with all the authority which the Government of the United States can confer upon it, will bring to the shippers and producers of the country the quickest relief, and in the most equitable way to the owners of railroads.

We, of course, realize the fact that the security and permanence and maintenance of the railroads is just as essential to the welfare of the country as is the growing of corn or the handling of merchandise.

The CHAIRMAN. You heard the gentleman from Wisconsin who has just been before the committee, whose testimony indicates that there is very general dissatisfaction with the condition of affairs as to railroads. What is your observation on that point?

Mr. DEAN. I did not agree at all with him in nearly all that he said.

#### FREQUENT COMPLAINTS, BUT MANY GROUNDLESS.

The CHAIRMAN. Do you come in contact with a great many people throughout the State and from Wisconsin in your trade?

Mr. DEAN. Yes, sir; I meet a great many.

The CHAIRMAN. Do you or not hear of any complaints against the transportation companies?

Mr. DEAN. There are very numerous complaints against the railroad companies, but in a great many cases, when they are sifted and examined, the complaints are found to be groundless. In many cases they are of course well founded and ought to be remedied.

#### THE LONG AND SHORT HAUL.

Of course the question which he discussed at length involved the long and short haul. We realize that that is an exceedingly difficult question to solve, and I for one do not attempt and neither does the jobbers' union attempt to present any solution of it. We realize that there are difficulties surrounding it for which probably no solution as yet has been reached. But as producers of grain, remembering that we desire to get our products to the sea-board, we ought to favor what is termed the long haul; and yet I am not entirely clear in my own mind that it is altogether best for the interests of the State that it should prevail. As I understand it, only about one-tenth of our products are shipped abroad. Still that is taken as the unit of low rates.

#### HOME MANUFACTURES AND LOCAL MARKETS.

My own opinion is that even if higher rates prevail to the sea-board and to the manufacturing States of the East, so that it would not be possible to carry our grain or meats to them as cheaply as we now can, the result of it might be that it would lead to the establishment of the same branches of industry farther West, nearer to the grain-fields and nearer to the ranches, so that the operatives could be fed at the cheapest rate. Illinois is underlaid with coal-fields, as is also Iowa, so that fuel is at our own doors, and there is no reason why manufactures cannot be established and maintained in adjoining fields, as it were, instead of carrying our products clear to Vermont and Massachusetts. In that way we would be diversifying the interests of the whole country throughout its borders.

#### THE MISSISSIPPI AND THE LAKES AS REGULATORS OF RATES.

The CHAIRMAN. So that you think the regulation of the short and long haul question might result in establishing manufacturing interests close to your homes, and in that way it would ultimately result to your benefit?

Mr. DEAN. I think possibly that might be the result. We in the city feel comparatively independent, as a city, on the matter of the long and short haul, because we have the great artery of the continent, the Mississippi River, right here at our doors, which has always been and will always continue to be a great regulator of freight; and we have Lake Superior within 150 miles. We have the Atlantic Ocean right at our door also.

The CHAIRMAN. I suppose the grain shipments are more by way of Duluth than by any other direction?

Mr. DEAN. Yes, sir; I believe that is so. As a city, we suffer very much from the long and short haul. As merchants, we cannot transfer our freight from here as against Chicago and Milwaukee. The rate from Saint Paul to points in Western Minnesota and Southwestern Minnesota and Dakota is from 150 to 200 per cent. per ton per mile more than from Chicago. Our trade in that direction is being rapidly curtailed. It is very largely absorbed by Chicago. But that, I suppose, is more of a local than a general question.

#### POOLING.

The CHAIRMAN. Anything that pertains to shipments from one point to another point in a State, of course Congress could not undertake to control, under the Constitution. Do you think a law prohibiting pooling would be wise or not?

Mr. DEAN. I think it would be very wise, not only for the people but for the railroads themselves.

#### REBATES AND DRAWBACKS.

The CHAIRMAN. Do you think a law prohibiting the payment of rebates would be wise or not?

Mr. DEAN. That would depend altogether upon how that question was considered. It would depend upon whether or not a large shipper in a wholesale way should have a lower rate than one shipping a small quantity. That is a question I am not entirely clear upon.

The CHAIRMAN. You are engaged in the jobbing business, are you?

Mr. DEAN. Yes, sir.

The CHAIRMAN. Do men engaged in that line of business get any concessions over the rates allowed to retail merchants here?

Mr. DEAN. Shippers by car-loads have a lower tariff than those who ship by the hundred pounds only.

The CHAIRMAN. Without reference to whether they are retail or wholesale merchants?

Mr. DEAN. It is immaterial what is their occupation.

#### THE UNIT OF SHIPMENT.

The CHAIRMAN. What is your idea with reference to the unit of shipment? Should it be a car-load or 100 pounds, or should there be no unit?

Mr. DEAN. I question whether there should be any unit.

The CHAIRMAN. In the present manner of doing business, the railroads make the unit a car-load, do they not?

Mr. DEAN. Yes, sir.

The CHAIRMAN. Suppose you shipped one car-load and your neigh-

bor shipped ten, do you think you should each have the same rate per car?

Mr. DEAN. I presume that would be regulated as all wholesale operations are regulated. A heavier shipper will obtain a lower rate than one who ships a less quantity.

The CHAIRMAN. Do you think it would be unsafe, then, to limit that by statute; to declare that a man under like circumstances, who ships one car-load, should have the same rate per car as the man who under the same circumstances ships ten?

Mr. DEAN. I am not entirely clear upon that point.

#### PUBLICITY OF RATES.

The CHAIRMAN. On the question of publicity of rates, what would be your opinion?

Mr. DEAN. I think the rates ought to be public, if the publication was not made too onerous on the company. I think it might be carried to an extent that would be burdensome, and unnecessarily so, to the transportation companies.

Senator HARRIS. You think they should be published by posting them at the railroad stations?

Mr. DEAN. I should think that would not be too burdensome, and yet I am not sure. Of course if it included every railroad station from every railroad in the United States, it would not only be exceedingly expensive, but it would be useless; because by inquiry of the station agent, if he is posted, one could obtain that information just as well as by searching through such a volume as would be necessary if those rates were published.

Senator HARRIS. Suppose at every station the freights hauled by that railroad from that station and to that station were posted?

Mr. DEAN. I think on its own line it would be probably politic to do it; but, as I remarked before, to endeavor to cover every station in the United States, it seems to me would be impracticable.

#### TENDENCY OF POOLING TO UNDUE RAILROAD BUILDING.

Upon the question of pooling, there is one idea that has suggested itself to me with reference to the railroads, and that is that it involves an undue building of railroads. I think there possibly may be too many railroads constructed. I think the people may be burdened if railroads are permitted to pool. Every new railroad that is built forces its way into that pool, and is given a share of the earnings of all the roads constituting the pool. It may permit every one who is able to do so to build a railroad in order to get into the pool, and the pool to maintain itself has got to levy a tariff upon the people that will pay the bonded indebtedness, if it is paid, upon all the railroads constituting the pool. We will have within a few months six railroads connecting with Chicago. I doubt whether six railroads are necessary to transport the commerce of Saint Paul and Minneapolis.

Senator HARRIS. How many have you now?

Mr. DEAN. We have three or four. I think we have four now.

Senator PLATT. Could any one of them do the business if it had the facilities of the New York Central or the Pennsylvania Central?

Mr. DEAN. I think very likely, with the outlets we have to Lake Superior. We have two to Lake Superior and another one to Lake Michigan and Green Bay.

## UNIFORMITY OF CLASSIFICATION, BILLS OF LADING, AND ACCOUNTS.

Senator HARRIS. What do you think of the policy of requiring a uniform classification throughout the United States?

Mr. DEAN. I think that would be very desirable.

Senator HARRIS. What do you think of the policy of requiring, by law, a uniform bill of lading throughout the United States?

Mr. DEAN. I think that would be very desirable, and I think a uniform system of accounts, which I believe is among the matters you suggest, would be excellent. I suppose a railroad commission, if it were constituted, would have power somewhat similar to that of a bank examiner if necessary, and a uniform system of accounts would facilitate those inquiries and that examination.

Senator PLATT. Do you think of any difficulties that grow out of different classifications East and West?

Mr. DEAN. A difficulty exists, but as merchants we understand it and know how to figure against it or to allow for it.

The CHAIRMAN. They seem to have a different classification for goods between New York and Chicago from that between Chicago and the western cities?

Mr. DEAN. Yes, sir; and we have it different still west on the Northern Pacific and on the roads running north and west from us.

Senator HARRIS. You think it would simplify business if the classification were uniform?

Mr. DEAN. I think it would simplify business very much.

Senator PLATT. Do you know of any reason, founded on good judgment, why it is necessary to have these different classifications?

Mr. DEAN. I do not; but I am not a railroad expert, and I do not know what reasons a railroad company may give for the existence of them.

## A CURE FOR RAILROAD WARS.

There is one way by which I think railroad wars might be cured. I do not know that it would be practicable. If a rate were once established a railroad company should be prohibited by law from ever charging a higher rate than the rate to which they reduced transportation during the war. I do not know how practicable that may be, but I think it would be a perfect cure if enforced.

The CHAIRMAN. If they reduced the rates during a war they should thereafter keep the rates at that point?

Mr. DEAN. Yes, sir. That is, not to allow them to advance the rates beyond that point.

## THE LONG AND SHORT HAUL.

Senator HARRIS. If they were prohibited from charging more for a short than for a long haul do you think that would have a powerful tendency to prevent this disastrous cutting of rates at competing points? That is, if the railroad that proposed to cut rates were compelled to cut them proportionately all along its line.

Mr. DEAN. There is no doubt about that.

Senator HARRIS. That would remedy to a large extent this suicidal cutting of rates, would it not?

Mr. DEAN. I have no doubt about that. Of course, on the other side of the pool question, is to be borne in mind the fact, that if railroads are not permitted to pool, it may be that the larger moneyed interests

may buy the competing lines, and in another way secure what would be substantially a pool by controlling those competing lines.

Senator PLATT. Then they would have a monopoly?

Mr. DEAN. They would have a monopoly then. There would be two distinct or as many distinct corporations as they chose to buy up.

#### THROUGH RATES STEADILY REDUCED.

The CHAIRMAN. From your observation, has the result of this pooling system been to increase the rates of freight?

Mr. DEAN. The rates of transportation have been steadily reduced, whether it is to be attributed to the pooling system or not I am not clear. I think it is rather due to the multiplication of lines than to the existence of the pooling system.

The CHAIRMAN. When they make these pools of a given number of roads covering a district of the country, do they ever put up the rates?

Mr. DEAN. They put them up over the rates that existed during a railroad war. They have advanced them beyond that point.

The CHAIRMAN. But they have never increased beyond the ordinary rate that existed before they became involved in a war of cut rates, have they?

Mr. DEAN. I do not recollect any instance now.

The CHAIRMAN. I believe it has been stated to us by a good many men as we have gone about the country, that the result has been that they were never increased, but were always fixed at a little lower point than existed before the war began.

Mr. DEAN. I believe that is the usual experience.

Senator PLATT. What is your open rate to New York on grain?

Mr. DEAN. I do not know. I am not a transporter or shipper of grain. My shipments are of merchandise, westward mainly.

Senator PLATT. Where do you buy your goods?

Mr. DEAN. All the way from Boston to Milwaukee.

Senator PLATT. What is the truth with regard to freight rates on shipping goods westward and southward to your customers? Have they not been reduced within the past two years in Minnesota and Dakota?

Mr. DEAN. I think not.

#### LOCAL RATES MAINTAINED.

Senator PLATT. You say there has been no substantial reduction on local lines to the West?

Mr. DEAN. I think not. I do not remember.

Senator PLATT. The reductions that have taken place, then, have been largely on the business from here eastward?

Mr. DEAN. From here eastward. Well, from the West also.

Senator PLATT. What is the rate to Duluth, if you know?

Mr. DEAN. I understood the other day that the rate to Duluth was 10 cents a hundred on flour.

Senator PLATT. That is for 150 miles, more or less?

Mr. DEAN. Yes, sir.

Senator PLATT. That is much higher proportionately than the rate to Chicago.

Mr. DEAN. Very much. I believe the rate to Chicago is  $12\frac{1}{2}$  or 15 cents. It is 150 miles as against 410. I believe the Duluth rate was advanced a few days ago to  $12\frac{1}{2}$  cents. I know very little about the shipment of grain.

## OBJECT OF JOBBERS UNION AT SAINT PAUL.

Senator PLATT. You have a jobbers union here in Saint Paul. What is the necessity for such an association as that, as far as railroads are concerned?

Mr. DEAN. It is to especially protect the interests of the merchants of the city, wherever they feel that any injustice is being done in any direction, as well as for our mutual protection in other directions, as to customers and credits and various matters that relate to the interests of merchants.

Senator PLATT. How long has your association been in existence?

Mr. DEAN. I believe about eighteen months.

Senator PLATT. Do you all get the same rates now?

Mr. DEAN. That I cannot tell you.

Senator PLATT. What do you think in reference to that?

Mr. DEAN. I have no means of forming an opinion. I have never inquired of other merchants what rates they get, and I have never told them what rates we have.

Senator PLATT. Of course I cannot pursue that a great ways, but I will ask you what the general impression is as to whether all merchants here get the same rates?

Mr. DEAN. I think that is the impression.

Senator HARRIS. I believe I will venture to ask if you get other than the published rates?

Mr. DEAN. I think I should decline to answer that question. I do not wish to be understood, either, that we get other than published rates. That is an inquiry I do not wish to answer.

## THE REBATE SYSTEM WRONG.

Senator PLATT. Assume that in some other place besides Saint Paul there are different rates made to different men in the same line of business, do you think that is beneficial to the trade?

Mr. DEAN. No, sir. I think, as a matter of principle, it is wrong. I have no question about that.

The CHAIRMAN. You think the rebate system is wrong?

Mr. DEAN. Yes, sir, as a matter of principle. Of course as a merchant I seek for them and obtain them when I can, but as a matter of principle I am free to say that I believe them to be wrong.

## WATER WAYS SHOULD BE MAINTAINED.

I was directed also by the jobbers union to say that we are in favor of the maintenance of the water routes and of other improvements.

Senator PLATT. You speak of always having the Mississippi River here as a regulator of trade. Is any considerable portion of the business done on the river, or do you say, because the river is there and business may be done on it, that it regulates trade?

Mr. DEAN. More the latter.

The CHAIRMAN. You really do not use it a great deal, do you?

Mr. DEAN. Of course the tonnage of the river is large; but as compared with the tonnage of the railroad it is not.

Senator PLATT. Suppose the river were to be improved so as to make its navigation easier, do you think it would come to be a great route for the transportation of the products of this section of the country?

Mr. DEAN. That involves more of a question than probably I could



answer; but I have my doubt; whether it would bring about as great results as some expect, for this reason: The railroads west of the Mississippi River running to the river and crossing the river—unless they could be compelled to do so by law, if such a law could be made—will not discharge their cargoes on the west bank of the river, but will carry them through to the lake ports.

#### NATURAL OUTLET OF SAINT PAUL EASTWARD.

Senator PLATT. Your natural outlet, so to speak, considering the way business has grown up, is eastward rather than by New Orleans, is it not?

Mr. DEAN. Yes, sir.

Senator PLATT. That is, you look to the East in sending your products abroad rather than to New Orleans?

Mr. DEAN. There is no return tonnage from the South, or comparatively little.

The CHAIRMAN. You buy nothing there, do you?

Mr. DEAN. Nothing at all. There is some little return tonnage to Saint Louis, but very little. But for New Orleans there is very little. Some few English goods that we import we can import by way of New York and Detroit cheaper than we can by way of New Orleans and bring them up the river.

Senator PLATT. At the same time, you think if the river were closed or were not navigable the effect would be to raise rail rates?

Mr. DEAN. That is very clear during the winter months. The railroads always advance their tariffs from 15 to 20 per cent. every winter when the river is closed by ice. As soon as the river opens in the spring the rates are again reduced.

The CHAIRMAN. Your main route is by way of Duluth and around the lakes?

Mr. DEAN. I think there is more tonnage taken that way than by way of the Mississippi River.

#### OWNERSHIP OF THE DULUTH ROAD.

Senator PLATT. Do you know who owns the railroad to Duluth?

Mr. DEAN. Only by hearsay.

Senator PLATT. It is not owned by the local interests of Saint Paul and Minneapolis?

Mr. DEAN. I have understood that our citizen, Mr. Hill, has a large interest in that road, but how large I do not know.

Senator PLATT. Is he engaged in other business?

Mr. DEAN. He is the main owner of the Manitoba Railroad.

#### L. A. GILBERT'S STATEMENT.

L. A. GILBERT, member of the board of trade, appeared, and said:

I have been engaged, and am now engaged principally in the grain business.

The CHAIRMAN. You have been listening to the discussion here, so that you understand somewhat the scope of our investigation. We would be pleased to hear what you have to say on the subject.

Mr. GILBERT. I want to state that of course until I came here this

morning I had very little idea of what you wished to know, and I am not as well posted as I otherwise might have been. I should be very much better pleased if I could simply answer questions.

#### COMPLAINTS OF EXTORTION AND DISCRIMINATION.

The CHAIRMAN. In your mingling with the people of Saint Paul, and the people of the State of Minnesota, do you hear any complaints against the railroad companies of the State?

Mr. GILBERT. Yes, sir; we have heard a great deal of complaint.

The CHAIRMAN. What is the nature of the complaint?

Mr. GILBERT. Both as to exorbitant rates from certain points, and also as to discrimination in rates.

The CHAIRMAN. Does that pertain entirely to points within the State, or to shipments from points in the State and running out of it, or to shipments coming in from other States?

Mr. GILBERT. Both. I will state in regard to the grain trade—I know more about that—that there has been a great deal of complaint in regard to discriminations from points in Minnesota and Dakota; that the railroad companies charge a greater rate from Saint Paul at times when the water routes are not open than they do from points beyond us.

To make myself clear, the railroad companies, by their pooling arrangements, have been in the habit for a great many years of raising the rates of freight between Saint Paul and Minneapolis, and Chicago and Milwaukee, at the close of navigation. It has been difficult for us to accumulate any large amounts of grain, because we were always uncertain of the rates we would have to pay, or whether we could get the grain out before the rates would advance.

#### STABILITY OF RATES.

I think one just cause of complaint that we have is the difference in the rates of freight. Perhaps the complaint is more as to that than as to the amount. If we always knew just what our rates would be it would be much better for us in making our purchases for future shipment. Sometimes the citizens and dealers in this State are obliged to purchase large quantities of wheat and other grain in the fall and store it, because the transportation companies cannot get it out. It is very difficult to arrange, and sometimes large amounts of grain accumulate when we wish to ship it rapidly, and would ship it rapidly if we could; and often the rates are raised before we can get our grain to the sea-board or to the lake markets.

Senator HARRIS. You think stable rates are more important than lower rates?

#### POOLING.

Mr. GILBERT. I think it is very important any way. I wish to state that my experience in regard to pooling is somewhat different from that of some of the gentlemen who have spoken here, and, as I understand, has been expressed in other places. My experience has been that pooling always puts up rates. I have taken particular pains to inform myself about this, because for the last ten years or more, since 1872, perhaps, I have been shipping in company with others, and we know that when there was no pooling of rates between the roads centering in Saint Paul and Minneapolis we got pretty low rates.

The CHAIRMAN. As a regular thing?

Mr. GILBERT. As a regular thing; and when a pool was formed, the rates were always advanced. I wish to state also that the rates are always advanced higher than any of the competing roads would be willing and anxious to carry the freight for. When asked for lower rates they always reply that they are compelled to charge that rate, under the pooling agreement.

To particularize a little, I will state that perhaps three, four, five, or six years ago—all along during those seasons—the summer rate on grain from Saint Paul to Chicago was from 15 to 17½ cents per hundred pounds. I do not know whether the pooling rates were maintained during the summer to any great extent, because at that time the Duluth road was an independent road, and of course we had the water route by the Mississippi. But upon the close of navigation, and of course the facilities at the lake rather prevented the Duluth routes from being used, a pool was formed, and our rates were always advanced 25 cents a hundred, which was virtually to us an embargo upon shipments. It was a prohibition. That was so for a number of years. That state of things does not prevail at the present time, and has not for the last year, and I think the year before the rates were perhaps lower. I think they were not over 20 cents last winter. The rates now to Chicago, I believe, are 15 cents.

#### DISCRIMINATION BETWEEN PLACES.

Senator PLATT. Is there a difference in freight rates from the West between points which are equally distant from Saint Paul? That is, in buying grain, say, 200 miles west of here, would there be a difference between points which are substantially that distance west of Saint Paul to Saint Paul?

Mr. GILBERT. I do not think there is a very great difference. The railroad companies have recently, within the last few years, perhaps, reduced the rates; and I think they have equalized them to some extent. In fact, they are obliged to. That is, if the roads are parallel, or if they are within 20 or 30 miles of each other, they are obliged to largely equalize the rates.

Senator PLATT. So that, as far as getting grain to Saint Paul is concerned, you think there is no great discrimination between places where it is raised west of here?

Mr. GILBERT. No, sir; I do not think there is.

The CHAIRMAN. Do the roads centering in Saint Paul penetrate different sections of Dakota, and reach most of the Territory?

Mr. GILBERT. Yes, sir.

The CHAIRMAN. North and south?

Mr. GILBERT. Of course there are some roads, like the Milwaukee and Saint Paul, and also the Chicago and Northwestern, that penetrate Dakota, which have direct lines to Chicago without coming to Saint Paul. In such cases the rates of freight, I presume, are somewhat lower to Chicago than they would be by this route. In fact, I know they are.

#### LITTLE DIFFERENCE BETWEEN POOLING AND MONOPOLY.

In regard to one point that was mentioned by one of the gentlemen—I think it was Mr. Dean—the possibility that, if pooling were abolished, some roads would purchase other roads and make a monopoly, I can see no particular difference, if it should occur, between a pooling arrangement and a monopoly.

The CHAIRMAN. Compared with the condition of things at the present time, you do not think it would hurt anything?

Mr. GILBERT. No, sir. There is one point that I have spoken about as a possible remedy against the ruinous rates that are sometimes made by railroad companies. We always know that when railroad companies engage in a war it is destructive to a large extent of the roads themselves; it has never been beneficial to the country, because it is succeeded by higher rates, and it generally disarranges the business all over the country. We have always found that it was not beneficial, and did not appear to be so to any one.

The CHAIRMAN. From the fact that men engaged in trade would not know what to do?

#### MAXIMUM AND MINIMUM RATES.

Mr. GILBERT. No, sir; it has always been disastrous to men in trade. They never make money by it, so far as my experience goes. If this interstate-commerce commission could have the authority to make minimum rates, and could say that the railroad company should not be allowed to charge a less rate, or so small a rate as to be destructive of the interests of the road—possibly that may be a new idea—it has seemed to me it might be productive of good.

The CHAIRMAN. What would you think of making maximum and minimum rates; do you think such a law would do good or harm?

Mr. GILBERT. Yes, sir; I think that perhaps would do good.

The CHAIRMAN. Do you think the difference between the maximum and the minimum rate would be so great that practically the railroads would either charge up to the maximum or down to the minimum, if the law were made so as to affect all the railroads of the country?

Mr. GILBERT. I think perhaps that would be a good thing. Of course it would be well to go slow in that direction. It would be well to ascertain just what the roads could afford to carry for. I think if we had a flexible law on that point—and the law should be flexible—that within judicious bounds the maximum and minimum rates might be established, and might be beneficial.

#### CLASSIFICATION OF ROADS.

Senator HARRIS. You would have to classify the various roads, would you not, if you were to fix by law a maximum and minimum rate?

Mr. GILBERT. Yes, sir.

Senator HARRIS. Of course, where one road costs twice as much to build and twice as much to operate as another, that road could not afford to carry freights at the same rate as the cheaper road?

Mr. GILBERT. No, sir; I do not suppose that would be proper or right.

The CHAIRMAN. Do you think such a law would be of any practical benefit to the business people of the country?

#### FREE COMPETITION THE BEST REGULATOR.

Mr. GILBERT. I have my doubts about it. My own opinion is that if we can have free competition throughout the country, that is one of the best regulators of freight.

The CHAIRMAN. Would you then be against pooling?

Mr. GILBERT. Yes, sir; decidedly.

The CHAIRMAN. Would you be against the system of paying rebates and drawbacks?

Mr. GILBERT. I do not know that I would be altogether opposed to that, under all circumstances.

#### REBATES AND DRAWBACKS.

The CHAIRMAN. Are the railroad companies in the habit of paying rebates to favorite shippers of grain in this section of the country, or otherwise?

Mr. GILBERT. I suppose they are somewhat in the habit at some times. I think, however, that the system of rebates is very much exaggerated. I think there are very many less rebates paid than is generally supposed. That is my own experience.

Senator HARRIS. Is not the rebate system simply a method of secretly discriminating between persons?

Mr. GILBERT. No, sir; I do not know that that is true, according to my own experience. I have found this to be the fact: Sometimes in the movement of grain there would be large accumulations of grain at certain places, or upon certain lines of road, with no one to move the grain, no one to ship it, no one who cared to take hold of it at all. Perhaps we may be differently situated in Saint Paul, but I have known the time when the firm I have been associated with has carried 400,000 or 500,000 bushels of grain in store. Sometimes the markets were such that we did not wish to make shipments. We would wait sometimes for the opening of navigation, when we could get lower rates by way of Duluth. By a very slight reduction in the rates by some railroads we could be induced to make our shipments by way of Chicago, if we could get a rate from parties who represented various lines east of Chicago that would induce us to make our shipments in the winter and by all rail. I do not altogether see the injustice of such an arrangement as that.

Senator HARRIS. You think the railroads ought to be allowed to do that if they will, so as to accommodate the shippers in getting their grain out?

Mr. GILBERT. In such cases as that, of course I do not see anything wrong.

Senator PLATT. Why not change the rate and let it apply to all men similarly situated and having the same amount of shipments, rather than make a secret agreement, and have them say, "We are charging so much, but will give you back such a proportion of it?"

Mr. GILBERT. It might be better. I do not undertake to say.

Then there is another thing I wish to say. I am quite confident, so far as the grain men of Saint Paul are concerned, that there has been no discrimination made against them. I think every grain man here who has had occasion to obtain rebates on his shipments has got the same rebates.

The CHAIRMAN. You mean that all got it at the same time?

Mr. GILBERT. Yes, sir; I think so. That is my understanding. Our rebates, if we get any, are almost always on shipments east from Chicago; and they go by the various lines, like the red and the blue lines and others.

The CHAIRMAN. The rebates are from that end of the line?

Mr. GILBERT. Yes, sir, as a rule they are from that end.

## DIFFERENCE IN RATES EAST AND WEST OF SAINT PAUL.

The CHAIRMAN. What is the difference in the rate charged for bringing grain from Dakota points, a given distance, and the rate charged for taking grain out from here to the East?

Mr. GILBERT. It is considerably greater.

The CHAIRMAN. What do you pay for the shipment of a car-load of grain from a point 200 miles west of here to this city?

Mr. GILBERT. The rate from Breckenridge is 21 or 22 cents per hundred. Breckenridge is 215 miles from here, I think.

The CHAIRMAN. That is in Dakota?

Mr. GILBERT. It is on the border. It is this side of the river.

The CHAIRMAN. Breckenridge is within your State?

Mr. GILBERT. Yes, sir.

The CHAIRMAN. How much is that a car-load?

Mr. GILBERT. That would be ordinarily about \$60. Of course we generally put in about 30,000 pounds. The road generally carries that. Still it would vary according to the amount—from 24,000 to 30,000 pounds, or even sometimes 40,000 pounds.

The CHAIRMAN. How much does it cost to ship a car-load of grain from here to New York? Do you make through shipments of grain?

Mr. GILBERT. At the present time we do not make through shipments. They stop our shipments at Chicago. I think the rate is about 30 cents now through; 15 cents to Chicago and 15 cents from there to New York.

Senator HARRIS. And it is 21 or 22 cents from Breckenridge?

Mr. GILBERT. I believe so. I am not positive.

The CHAIRMAN. There is not over 10 cents difference.

Mr. GILBERT. That is it.

The CHAIRMAN. And from here to New York, it is 1,000 miles, is it not?

Mr. GILBERT. About that, I believe. The distance is about 1,200 or 1,300 miles.

Mr. BACKER. One thousand five hundred, I believe.

The CHAIRMAN. It is over 900 miles from Chicago.

Mr. GILBERT. And it is 410 miles from here to Chicago.

## UNIFORM CLASSIFICATION.

There is one point that I think is very desirable, and that is a uniform classification. I know there has been great dissatisfaction expressed by a great many persons in regard to the different classifications. I have heard persons state that they had received freight from New York and from Eastern points to Saint Paul, and then, by a difference in classification, the rate was more than double from here going west. I think it would be an excellent arrangement to have a uniform classification.

The CHAIRMAN. We heard that same complaint made in Iowa and Nebraska. The classification is different from Chicago west, and I have never been able to find any reason for it.

Mr. GILBERT. I have no doubt. To illustrate. A certain man who owns an elevator west of here wanted some machinery. He got it, I think, in Pennsylvania. I think it was an engine and something else. He said that the rate from here about 100 miles west was double what it was from the Pennsylvania point to this point. It was partly due, of course, to a higher rate, but partly also, and largely, due to a dif-

ferent classification, putting it away up as first class, perhaps, where on the other roads it was fourth or fifth class.

POOLING FROM SAINT PAUL TO DULUTH.

I wish to say a word or two in regard to the effect and to the working of the pooling arrangement from here to Duluth and Lake Superior. Perhaps you may have noticed that the Saint Paul and Duluth road has been carrying grain for 10 cents a hundred pounds, and the Chicago, Saint Paul and Minneapolis road has been doing the same from here.

Senator PLATT. To where?

Mr. GILBERT. To Duluth. The Duluth road carries it only to Duluth. The Chicago, Minneapolis, Saint Paul and Omaha road has three or four points on the lake—Superior, Washburn, Ashland, and Bayfield—touching the lake at all those points. Of course, while we have not been able to ship grain that way, since there are no elevators except at Duluth, yet flour and other grain products have been shipped there. Now, the three or four roads interested in the pool, centering here, have compelled the Chicago, Minneapolis, Saint Paul and Omaha road and the Duluth road to raise that rate to 12½ cents, so that they might not have any particular advantage over these other roads taking the same freights to Chicago and Milwaukee.

SUGGESTED OWNERSHIP OF DULUTH ROAD.

Senator PLATT. How would it be if the manufacturers of Minneapolis and the merchants of Saint Paul owned and operated that Saint Paul and Duluth road for themselves? Could these roads then compel that road to put such rates on as they should say?

Mr. GILBERT. I do not suppose they could; no, sir. That road was owned by local men here, I believe, for a number of years. The road was built through a forest, almost. There was no local travel whatever, and the through business at that time from Minneapolis and Saint Paul was very much less than it is now. Consequently the road, while it was of incalculable benefit to the people of the West, Minnesota particularly, was simply used as a means or a lever to operate upon the other roads in the reduction of the rates of freight, and the road itself did not make very much money.

Senator PLATT. But it now has business in paying proportions?

Mr. GILBERT. I think it has. I think it is paying a dividend.

Senator PLATT. It has a continuous haul of 150 miles, more or less.

Mr. GILBERT. Yes, sir.

Senator PLATT. And it is charging at the rate of 1.6 cents per ton per mile, if they charge 12½ cents a hundred, as I figure it out.

Mr. GILBERT. Yes, sir; I know that grain was carried for very much less than that when that road was in the hands of a company which was entirely independent.

Senator PLATT. Have you any doubt that if that road were owned by the milling and mercantile interests of this section grain could be taken to Duluth at one half that rate at a profit?

Mr. GILBERT. I believe it could. Of course I do not pretend to know just what it costs to operate a road, but I believe it could be done.

Senator PLATT. That would be eight-tenths of a cent per ton per mile. Would not that give you a pretty large advantage, if you owned the road now?

Mr. GILBERT. Yes, sir; undoubtedly it would.

The CHAIRMAN. Coming back to the shipment from the west to Saint Paul, as compared with the shipment from Saint Paul to the east, this point that you indicated, Breckenridge, is a competing point, is it not?

Mr. GILBERT. No, sir.

The CHAIRMAN. Is there a competing point just this side or the other side of Breckenridge a few miles?

Mr. GILBERT. No, sir. Except Fargo. That is quite a distance, however. Then there is a competing point at Morris. On the other side of the river at Wahpeton is a competing point.

The CHAIRMAN. At that competing point, how do the rates from there here compare with those from Breckenridge?

Mr. GILBERT. I believe they are just the same, but I am not positive in regard to that, as we have not had any grain from Wahpeton for some time.

#### RECAPITULATION OF VIEWS AS TO LEGISLATION.

The CHAIRMAN. As I understand it, you think there ought to be a commission appointed?

Mr. GILBERT. Yes, sir; I think it would be very desirable and advisable.

The CHAIRMAN. You think pooling should be prohibited?

Mr. GILBERT. Yes, sir.

The CHAIRMAN. You are not so clear upon the question of rebates, as I gather from your statement, as to whether that ought to be prohibited or not?

Mr. GILBERT. I do not think that under all circumstances rebates should be prohibited.

The CHAIRMAN. You think there may be instances where it would be proper to allow them?

Mr. GILBERT. Yes, sir.

The CHAIRMAN. Do you think that classifications should be uniform all over the country?

Mr. GILBERT. Decidedly; yes, sir.

The CHAIRMAN. Do you think publicity of rates should be required by law?

Mr. GILBERT. I suppose the rates are entirely free and open to everybody now. I never went myself to inquire in regard to a rate but that I always got it.

The CHAIRMAN. Do they show you a schedule and tell you that the rate you got was the uniform rate?

Mr. GILBERT. Yes, sir.

The CHAIRMAN. They always hand you a schedule?

Mr. GILBERT. They always give me a schedule whenever I go. They have a printed schedule stating what the rate is. If I do not know the rates I simply go to the office and ask them for a freight tariff, and they give it to me.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. Have you given any expression of opinion as to the question of the short and long haul?

Mr. GILBERT. No, sir; I have not.

The CHAIRMAN. Would it be safe to the business interests to declare by law that there should not be more charged for a short than for a long distance, on a shipment from a given point and going in the same direction?



Mr. GILBERT. I am of the opinion that it would not be entirely safe. I am not positive about it, but I am decidedly of the opinion that if such a law were in force it would make the rate greater from the West to the sea-board than it now is. I think it would amount to a prohibition. I am decidedly of the opinion that a proportionate rate would be destructive to our interests.

The CHAIRMAN. A proportionate rate certainly would be, but would it be safe that in the aggregate there should not be charged in any case as much or more for a short than for a longer distance?

Mr. GILBERT. I am inclined to think that it would be just to have a law of that kind, that no more should be charged for a short haul than for a long one.

The CHAIRMAN. If freight were to be taken from Saint Paul to Chicago, for instance, you think there should not be charged more than for taking it to New York? You think that would be a safe proposition?

Mr. GILBERT. Yes, sir. That is, if freight was 15 cents between here and Chicago, it should not be more than 15 cents from Hudson or Madison to Chicago.

The CHAIRMAN. Or from any point this side of Chicago?

Mr. GILBERT. Yes, sir.

The CHAIRMAN. So that you think it might be safe to insert that proposition in a statute?

Mr. GILBERT. I think it would be safe. It seems to me to be just.

#### WATERWAYS.

The CHAIRMAN. Have you anything to say on the question of water transportation in competition with railroads?

Mr. GILBERT. Not very much, except that I believe the water transportation of Saint Paul has been the means of securing to us very much better rates of freights than we would otherwise obtain.

The CHAIRMAN. You are pretty fortunately situated here, are you not, in having so many railroads, and the river as well as the lake near by?

Mr. GILBERT. Yes, sir. I think so.

#### C. W. HACKETT'S STATEMENT.

C. W. HACKETT, president of the Jobbers' Union, appeared.

The CHAIRMAN. Are you a wholesale or retail merchant in this place?

Mr. HACKETT. Wholesale.

The CHAIRMAN. Have you any suggestions to make to the committee upon the subject under investigation by it?

#### THE UNIT OF TRANSPORTATION.

Mr. HACKETT. There was one point that was touched upon by Mr. Dean as to which, if I understood his reply aright, I think perhaps he did not exactly represent the wholesale interests of Saint Paul. I think he did not intend to leave it as he did. That was in regard to car-load rates. I think it is the sentiment of the wholesale interests of Saint Paul that there should be a discrimination between car-loads and small lots.

The CHAIRMAN. I do not think Mr. Dean meant to be understood that there should not be a discrimination between small lots and a car-load. Should there be any discrimination between car-loads?

Mr. HACKETT. No, sir; I think not.

Senator HARRIS. Mr. Dean distinctly stated, I think, that there should be no discrimination between car-loads, whether it came to a jobber or to a retailer.

Mr. HACKETT. He stated that; but he also went further than that. I think the question put to him was whether he thought there should be any difference as to quantities, or some question to that effect. He did not leave it with the thought that the unit should be a car load. I think there should be a difference between a car-load and a small quantity.

The CHAIRMAN. You mean a difference per hundred?

Mr. HACKETT. Yes, sir.

The CHAIRMAN. Are there any discriminations about which the people complain in this section?

Mr. HACKETT. We hear some complaints sometimes, but I do not think there is anything very serious.

#### AN INTERSTATE COMMISSION.

The CHAIRMAN. Should Congress enact any law on the subject of regulating commerce between the States?

Mr. HACKETT. It would be very wise, I think, to have an interstate commission appointed that would take charge of this matter.

The CHAIRMAN. How much power would you give that commission?

Mr. HACKETT. That would be a matter that would have to be developed by time, somewhat. It would be pretty difficult to start out with a full code of laws that would cover the ground. In our own State our railroad commissioners (or commissioner, as it was in the start) have had their powers gradually increased, as experience has shown what was necessary.

The CHAIRMAN. Has your commission done any good, according to your observation?

Mr. HACKETT. I think they have; yes, sir.

The CHAIRMAN. You think they have been of public benefit?

Mr. HACKETT. Yes, sir.

The CHAIRMAN. Do you mean they have been of public benefit to the people, and not especially to the railroads?

Mr. HACKETT. Yes, sir; I mean to the people of the State.

#### POOLING.

The CHAIRMAN. Are there any other suggestions you would like to make?

Mr. HACKETT. I would emphasize simply what has been said by some others in regard to pooling. I think it is the universal sentiment of the State that pooling should be prohibited by law.

The CHAIRMAN. We found in one locality, which I will not name, that the jobbers believed they ought to have a better rate than the retail merchants, whether or not the shipment was different as to quantity. Do the members of your union feel that way?

Mr. HACKETT. I think when the matter of pooling is abolished that that thing will regulate itself somewhat, the same as all business regulates itself. I think if I am selling goods I will be governed by what I

think is right in regard to the price I ought to put on the goods. I think railroads would be governed in the same way, by what they think is right as between small dealers and large ones, by what they can afford to do the business for. Perhaps, to make it parallel with railroads, you might carry that thing in merchandise to a point that would oblige a merchant to sell a small quantity the same as he would a large quantity. A railroad can, perhaps, afford to haul a large quantity of freight cheaper than it can a small quantity. If it can, it will do so. If it cannot, I do not think it will. Railroads are governed by their own interests in the matter; and if it was free and open, so that there was no competition between the roads, and each road did what it thought was for its own interest, the roads would, perhaps, to large shippers, give some concessions. They could probably afford to do so.

#### PUBLIC CHARACTER AND DUTIES OF RAILROADS.

Senator HARRIS. Do you think it is entirely safe to assimilate the transactions of a common carrier with those of a private individual engaged in mercantile or any other business?

Mr. HACKETT. No, sir; I should not think it would be altogether.

Senator HARRIS. A common carrier is a public functionary, and owes some duties to the public, but the merchant may do as he chooses as long as he does not violate the law.

Mr. HACKETT. Yes, sir.

Senator HARRIS. Then, do you think if the Government undertakes to regulate the transaction of business it should tolerate the principle you suggest, of allowing to the merchant who ships 10 or 50 car-loads a lower rate than to the merchant who ships 1, 2, 3, or 5 car-loads?

Mr. HACKETT. I think perhaps in some instances railroads could afford to take the large shipment cheaper than they could the smaller one. For instance, take the case that was cited by Mr. Gilbert. If there were a large quantity of wheat to be moved in one body, and a train was made up, the railroads might perhaps carry that cheaper than they could a few sacks of wheat or a single car-load.

#### TENDENCY OF THE WHOLESALE PRINCIPLE.

Senator HARRIS. If the Government exercises its power to allow a large dealer to get better terms in transportation, and the merchants give him better terms upon large purchases than upon small ones, he will have the double advantage of better terms in the purchase and better terms in the transportation. Is not the inevitable tendency of that to freeze out the small dealer? Would it be proper for the Government to so regulate the railroads as to give to the large dealer better terms in transportation than to the small dealer?

Mr. HACKETT. No, sir; I should suppose not. I should think in this matter of regulation that the Government would probably be wise in going a little slow and not regulating too much; that it would be wise to leave the matter largely to the discretion of the roads, to start with.

Senator HARRIS. You think, then, it would be safe to provide by law that the car-loads should be the unit of transportation, and that a man who shipped 1 car-load of the same kind of freight from the same point to the same point should be charged no more per car than the man who shipped 10 or 20?

Mr. HACKETT. I do not think I should be in favor of such a law being enacted on the start, when the first movement was made by the Gov-

ernment towards regulating this question. I think there might be some other matters regulated first.

Senator HARRIS. You think it would be best to allow the transportation company to give to the large dealer the advantage of transportation, if it chooses to do so, even though the tendency be to freeze out the small dealer and strengthen the large one?

Mr. HACKETT. I do not know that I would say that that would be right in principle; but I should not be prepared to say that there was nothing in the shape of advantage in that way that the large dealer should not receive. Of course the tendency would be in the direction you mention, to freeze out the small dealer. If it got into the shape of a monopoly, I should think it would be bad.

Senator HARRIS. If it be bad to allow it to get into the shape of a monopoly, is not each step tending in that direction a wrong step, and would it not be well to restrain or prohibit it?

Mr. HACKETT. If anything was done in that direction, it would be necessary, of course, to restrain it; but it is a question in my mind whether there should be any such law on the start to prevent it. I think in the appointment of a commission by the Government their powers should not be fully fledged. It would be wiser for all, perhaps, to have the commission acquire some knowledge by experience rather than to attempt to regulate all these matters at once.

Senator HARRIS. Unquestionably the safer policy is to feel your way along upon some general principles that ought be based upon right.

Mr. HACKETT. Yes, sir. I did not expect to say anything more than to refer to that one point. As others have covered the ground pretty well on all the other points, I have nothing further to say.

### RUSSELL BLAKELEY'S STATEMENT.

RUSSELL BLAKELEY appeared.

The CHAIRMAN. You have lived here a long time?

Mr. BLAKELEY. I came here in 1847.

The CHAIRMAN. You have been listening to the discussion here. We would like to hear you in your own way upon the subject under investigation by the committee.

Mr. BLAKELEY. I have been engaged in the business of transportation since 1836. That has been my business-almost constantly. I have been engaged in transporting by steamboat, by rail, and by stage. I have seen almost every phase of the transportation question, I believe. I have heard it discussed in Congress to a very great extent.

### THE MISSISSIPPI THE GOVERNING LEVER.

My impression is that you want a commission without any very definite powers at the start. The transportation question, next to our civil and religious rights, is the greatest question that we have to consider in this locality. Many of us have made up our minds that the governing lever here was our water communication. I am chairman of the committee of the Chamber of Commerce on the improvement of the Mississippi River, and was made so more especially, perhaps, because I have been a long while associated with the business on the river, and because I am firmly convinced that for us that is the governing lever.

As to the general principles involved in this question: Whether you should stop pooling, whether you should make the rate for a short dis-

tance no more than the rates for a long distance—those are questions that I think cannot be elucidated just yet. I should hate to say you should not do either of them.

**WHERE A SHORT-HAUL LAW WOULD HAVE BEEN DETRIMENTAL.**

I will give you an instance in railroading. There was a large amount of produce that some years ago was to go up the Missouri River for the use of the Army. There was a line of steamboats running from Bismarck up the Missouri, and there was a line of steamboats that ran from Sioux City up the Missouri. If the railroads carried that freight they had to carry it for a great deal less than they would carry freight for anybody else from Sioux City to this point or from here to Bismarck. It made a distance of 600 or 800 miles. If they did not bring it for a small price they could not touch it at all. The railroads were debarred from taking it unless they took it for about 8 cents a bushel, because the steamboats wanted it. If they came back without it the cars came back without any load. We can get 8 cents to Saint Paul and the price from Saint Paul to Bismarck will equal the price of the river from Sioux City to Bismarck. I am giving a simple instance now in which it was impracticable to charge the same rate that would be charged for freight to be brought here for anybody else. It could not be brought unless it was taken for 8 cents, and they could not carry it from here to Bismarck unless they reduced the rate very materially for that particular freight. Still, as far as the road from here to Sioux City was concerned, it brought a very considerable amount of money to their pockets. That road would have lost unless it took the freight. Its cars were going back empty because at that time the business was all the other way. There is an instance where you could see that if the road had been debarred from the opportunity of taking that freight in competition with the river it would have lost money, and it would perhaps have been a detriment to the parties interested in the transportation. That is a simple, single instance out of thousands.

**LEGISLATION MUST DEVELOP FROM EXPERIENCE.**

There is in my mind no well developed line of policy that can be pursued in any legislation at the present time. It has got to be developed by experience; and I think it has got to be developed only through a commission who shall bring to us, as our commission has brought to us here, the experience they gather in concert and co-operation with the people of the State. The same thing has got to be done in this case; to bring together the information necessary to handle this whole subject, from all the States into one body or one commission. Our commissioner did a great deal of good. I was very glad, while I was a railroad man, that the commissioner was appointed. It was very decidedly agreeable to us, and so I think it would be to all transportation companies if a commission of the United States should be appointed. I should deprecate the attempt to tie their hands and limit them as to what they should do just yet. They should rather gather information than give advice at the present time.

The CHAIRMAN. Do you know what the powers of the Massachusetts commission are?

Mr. BLAKELEY. Not definitely. I studied it considerably at one time, but it has now passed from my mind. I understand they have a kind of judicial authority.

The CHAIRMAN. No; they have no power except to investigate disputes and controversies, to come to a conclusion, and then tell the railroad and the people what their conclusion is, and to report to the legislature.

Mr. BLAKELEY. I saw several of their reports during the time I was interested in this question here. We had this question discussed very seriously here at the time of the trial, as to whether the State could make the rates for a railroad or not. The Supreme Court of the United States decided that it was practicable for the legislature of this State to say what a road should receive for transportation. I was in opposition to that question, and very strenuously so. I said I never would submit to it until the Supreme Court so decided.

The CHAIRMAN. And it did decide against your view?

Mr. BLAKELEY. Yes, sir.

#### AS BUSINESS INCREASES RATES ARE LOWERED.

The CHAIRMAN. What has been the effect of that?

Mr. BLAKELEY. It has had no effect here. The railroads have given a reasonable rate, and I do not know that they changed very materially, except by an increase of business. They reduced the rates, but the business of the country has developed very largely. Every day new acres are opened and additional tonnage is constantly being added to the roads, and necessarily, as you add tonnage, you are able to reduce the rate of transportation.

Senator PLATT. What is it that enables you to reduce the rates of transportation as tonnage increases? What is the element that brings that about?

Mr. BLAKELEY. It is the capital invested in the property, first. It is very largely that, as a matter of course. The investment is the same whether you carry 1,000,000 pounds or 10,000,000 pounds. Practically the road can carry to its limit without additional investment. As a general thing, a road has no business for over one-half its capacity, take the year through.

Senator PLATT. The fixed charges are the same, whether the road does much or little business?

Mr. BLAKELEY. Yes, that is the idea. Now, in justification of the reduction of rates in this State, I will say that it became practicable because of the increase of the produce of the country, giving additional business to the roads.

#### FIXED CHARGES, WHETHER BUSINESS IS LARGE OR SMALL.

Senator PLATT. It costs more in proportion to handle a small quantity of freight than to handle a large quantity, does it not?

Mr. BLAKELEY. You have to have the same men. For instance, you have to have a station, and you have to have a man at the station. The elevator will load fifty cars in a day, perhaps, as well as five; it will elevate all the grain that is brought to it. The additional expense is not very large; the superintendence is not very large. Almost any elevator in this country could do twice what it is doing if it had the business to do. It costs so much every day, and the additional tonnage which is produced enables the roads to reduce the cost of transportation.

Senator PLATT. Are there any elements entering into that except the two mentioned—one being that the fixed charges are the same whether the amount of business is large or small, and the second that the busi-

ness can be handled cheaper? That is, the same number of men can handle a larger amount of tonnage?

Mr. BLAKELEY. In regard to my experience, as a matter of course, the question of fuel is very considerably different to-day from what it used to be. The price of a locomotive is very much less than in 1864 when we commenced to buy.

Senator PLATT. And steel rails are now used?

Mr. BLAKELEY. And all those things. If you have the motive power, the rolling-stock is comparatively less than it used to be. Labor, I think, is much the same. I do not think there is a very material difference as to that. The interest on money is very considerably less. Hence the practicability and possibility of a reduction. A reduction might be very consistent with good business principles. If I understand aright, the cost of transportation is being almost daily and constantly reduced, except when some calamity comes to our crops, as has happened to us sometimes. The reduction is perhaps not very material of late. The railroads think they are down pretty low now.

#### EQUALIZATION OF LOCAL AND THROUGH RATES.

Senator PLATT. Suppose there had not been such a cut of the through rates. Do you not think it would have been practicable for the railroads to reduce their local rates more than they have?

Mr. BLAKELEY. I only judge now from knowing pretty well the receipts and the surplus of the roads. As to whether they could charge less for this place and more for that, and equalize the rates judiciously for their own benefit or not, requires a man, in order to know, to be constantly in connection with the business. He cannot tell theoretically. He must know positively, as men know who are sitting at the table every day conning over the business.

Senator PLATT. It is true, is it not, that local rates have not been reduced in the same proportion as through rates?

Mr. BLAKELEY. I think not; no.

Senator PLATT. Is it not also true that through rates have been reduced in some instances to non-remunerative points?

Mr. BLAKELEY. Oh, yes.

Senator PLATT. Would it not be a great deal better for business, and a great deal better for the producing community, if that reduction had been distributed all along the line, rather than put entirely, so to speak, upon the through business?

Mr. BLAKELEY. One trouble is this: You sometimes reduce a good deal, being in hopes of recuperating in the future.

Senator PLATT. If a road reduces through business to a non-remunerative point, it must recoup on its local business, or die.

Mr. BLAKELEY. Certainly, if it continues very long.

Senator PLATT. Is that good policy?

Mr. BLAKELEY. No; we all agree that war is not the best thing in this country.

#### THE DOCTRINE OF COMPETITION.

Senator PLATT. Some people here have said that they believe fully in the doctrine of competition. We have had the freest kind of competition going on east of Chicago for a long time back between the railroads.

Mr. BLAKELEY. I believe there has not been a time, now, for the last few years—I feel it very sensibly, and speak of it because it is coming in here—when there has not been active competition in this place in

connection with the business I have been interested in. Still they talk about the pools all the time. I think pooling has had very little to do with it. They squabble about every six months.

Senator PLATT. Do you think such a competition as is going on between Chicago and New York is good for anybody?

Mr. BLAKELEY. Oh, no.

Senator PLATT. What do you think would be the final result?

Mr. BLAKELEY. Just as I told our people when they wanted to build two roads where one would do the business—that there competition comes in, and you have got to pay the bills when one of the roads breaks down. Somebody has got to pay for that investment. If it cannot do business by itself, the strong hand takes hold of it, and if there is no compulsion they will make that investment pay as a matter of course. Two roads are doing what one could do.

Senator PLATT. Have you any watered stock in the roads up in your section?

Mr. BLAKELEY. I should not be surprised if we had a good deal.

#### THE BASIS FOR MAKING FREIGHT RATES.

Senator PLATT. What should be the basis of rates that a railroad should fix—I will not say anything about the Government doing it—to be fair to the people? Should it be on a basis by which they can earn dividends on inflated capital, or should it be upon the fair actual value of the road?

Mr. BLAKELEY. I do not think any railroad man can tell you that. A railroad would hardly say that it had a right to a dividend upon anything that was not a fair legitimate investment.

The CHAIRMAN. Are they not trying to get more?

Mr. BLAKELEY. True. But I hardly ever have found a man, to face him right square down, who would say the roads had a right to a dividend on anything that was not invested. We sometimes try to get a little more than reasonable interest on our money.

Senator PLATT. While that may be a good thing for an individual it is not a good thing for the public?

Mr. BLAKELEY. No, sir.

The CHAIRMAN. You mentioned something about shipping corn at 8 cents a hundred, in order to get it to Bismarck or to some place where there was competition with the river. If you had been running a line of steamboats you would have thought that was pretty hard on you, would you not?

Mr. BLAKELEY. That was in competition with the boats. The boats made it necessary that the roads should take that at 8 cents, or not at all. I am talking now about the railroad. Here was a whole train of forty cars going without a bushel of grain. Just at that time the grain had all been carried out. And there was the grain in the elevator that was either going by the boat or by car. Now, if there had been pro rata rates they could not have touched that corn.

The CHAIRMAN. If they had been compelled to charge the same from the other points, per mile, they could not have taken it at all?

Mr. BLAKELEY. No, sir.

The CHAIRMAN. Did they take it at actually less than they could afford to take it? Did they lose money by taking it?

Mr. BLAKELEY. The motive power was there and the men were there. Now whether you bring a few cars of corn, or come back without any at all, you can judge what was best. The trains had to come anyhow,



## THE PARAMOUNT QUESTION OF THE DAY.

The CHAIRMAN. In your experience in connection with railroads and with transportation by water, and as a business man outside of those occupations, do you think Congress ought to pass any law on this subject?

Mr. BLAKELEY. I think Congress ought to pass a law establishing a commission, to consist of one or more in each State, and that those men should sit down and discuss this subject at the table right through the year. I do not think Congress has the time to discuss it, or to come to a reasonable conclusion in regard to the question. It is the paramount question of the day.

## A NATIONAL COMMISSION.

The CHAIRMAN. Would you give that commission any power besides the power of discussing it?

Mr. BLAKELEY. That will develop itself after a while. I think now it would be a dangerous thing to say what those men should do.

The CHAIRMAN. A good many people say that Congress has been discussing this subject a long time and has not done anything.

Mr. BLAKELEY. I sometimes have heard of two or three speeches being made on it. That is all the time Congress can give it. If I had been able to sit down and talk to any one of the members, I could have given them some of my experience. But a commission might be appointed that would have nothing else to do.

The CHAIRMAN. Would you give them any power to hear and determine questions between shippers and transportation companies?

Mr. BLAKELEY. I will tell you what we do here, and what I think is especially agreeable and desirable. I think Mr. Becker and his commission will listen to the complaints in person, and they will call the attention of the railroads to any question. They will ascertain the points as to that dispute, for and against, and the railroads, I think, will do justice and right according to the judgment of the commission, if the railroads are in the wrong. The commission will satisfy the other party if he is in the wrong, and there will be no further hard feeling.

The CHAIRMAN. You think they will do that whether or not the commission has any legal power to determine the question of who is in the wrong?

Mr. BLAKELEY. That I think has been the business of the commission since it was appointed. I think it has worked wonderfully well and to the benefit to the State and the people.

The CHAIRMAN. You think the commission has worked beneficial results?

Mr. BLAKELEY. Unquestionably.

## POOLING.

The CHAIRMAN. Do you think a provision of law prohibiting pooling would be a bad thing?

Mr. BLAKELEY. There is a good deal to be said for and against pooling. My judgment is rather against pooling.

## REBATES AND DRAWBACKS.

The CHAIRMAN. Do you think rebates and drawbacks ought to be allowed?

Mr. BLAKELEY. That is simply a matter of favoritism to one and of refusal to another.

The CHAIRMAN. A good many railroad people have positively said that they would be very glad to be prohibited from paying rebates and drawbacks, so that they could tell their customers, "We cannot give any rebate, and there is no use talking about it." Do you reason that way?

Mr. BLAKELEY. I have found myself in the position of being repeatedly called upon to pay rebates to meet competition by somebody else. I have always done it with the greatest reluctance, and have refused when I could possibly avoid it. I have always tried to maintain the rates with those I came in competition with and to get a reasonable compensation for what we did.

The CHAIRMAN. For all alike?

Mr. BLAKELEY. For all alike. I think that would be the policy of the roads if they could trust one another. We have not reached the days of the millennium, and the railroads have not such full confidence in one another as to their business habits as we would like.

The CHAIRMAN. Do you think they have as much confidence in one another as outside people have in each other?

Mr. BLAKELEY. I would not like to say what I thought comparatively.

#### UNIFORM CLASSIFICATIONS AND BILLS OF LADING.

The CHAIRMAN. Do you know of any reason why there should not be a uniform classification of freights all over the country?

Mr. BLAKELEY. Let us have a uniform classification of freights and a uniform bill of lading, by all means.

The CHAIRMAN. That is your judgment as an expert?

Mr. BLAKELEY. Oh, yes; I think nobody will deny that as a business proposition.

The CHAIRMAN. The only reason why the classifications are different in different parts of the country is because the railroads can wring a little more out of the people by having one classification in one part and another in another, is it not?

Mr. BLAKELEY. I do not know about that. Here is a man who sits down at a table and studies the subject; and he comes to a conclusion as to what the proper classification would be for freight that goes over his road.

Senator PLATT. Classification is largely an arbitrary thing, is it not?

Mr. BLAKELEY. Yes, sir; it is simply a declaration of the freight man. It may be that the managing men would discuss it, but the freight man would probably have his way if it were discussed.

Senator PLATT. When the roads originally came in, classifications were not made on any principle, but were made with reference to the rates which had been paid previously?

Mr. BLAKELEY. Classification was this: Iron is the cheapest kind of freight; that is one class. When you come to barreled or boxed freight, that is another. When you come to bulky freight, like farming machinery, or furniture, or carriages, that is called another class. That was the reason why they were classed so and so; and a certain class was charged such a rate and a certain other class was charged such another rate.

The CHAIRMAN. How many classes of freight are there usually?

Mr. BLAKELEY. I think usually there are about four. What I want you to understand in regard to classification is this: There is one class

from Chicago to this place, and they put some of those articles into one class and some into another; and they are changed *vice versa* between the roads running east and west.

Senator PLATT. A certain article has to pay a different rate as it goes along through the country, according to the class of freight it is put in?

Mr. BLAKELEY. Yes, sir.

The CHAIRMAN. Furniture from New York by way of Chicago comes there very cheaply, while from Chicago it is put in another class where the rate is very much higher?

Mr. BLAKELEY. Yes, sir. That is not very largely so for a considerable shipper, for he ships his freight at so much a car-load, and the man who takes the freight knows what it is. I will take your freight from Chicago to New York or Saint Paul for so much. You are engaged in the iron business or the grocery business. They know the amount of freight they are going to carry, and that it will be so much a car-load. The trouble as a general thing is this: For instance, you ship a carriage and pig-iron and almost anything else all in one car. There are different classifications going into the one car for ordinary common daily shipments. It comes here as fourth or first class, or whatever it is. Then it is put in another class when it goes from here, and the rate is changed. It is virtually a difference in the rate for the class of freight. But there is seldom much trouble about that now-a-days.

#### THROUGH BILLS OF LADING TO DEADWOOD.

The CHAIRMAN. In this State there are railroads running to other common points—cities and towns—besides Saint Paul and Minneapolis. Do those towns get through bills of lading from New York, or do the goods go to some prominent point and then have to pay local freight rates?

Mr. BLAKELEY. I will tell you what is done now in the business I am engaged in. I am now only engaged personally in land transportation by stage express, hauling by mules and cattle from the Missouri River to Deadwood. A man makes a rate in the New York office to deliver his freight in Deadwood, and the bill of lading goes to the party to whom it is consigned in Deadwood.

The CHAIRMAN. It goes right to Deadwood?

Mr. BLAKELEY. Yes, sir; there is very seldom any trouble about that freight. That goes over several different lines of transportation.

The CHAIRMAN. And by different means of transportation?

Mr. BLAKELEY. Yes, sir; and by different means of transportation, involving even land transportation by mules and cattle.

The CHAIRMAN. So that the people in Deadwood have no particular complaint on that account?

Mr. BLAKELEY. No, sir; there is seldom any complaint ever made. They know what they are going to pay when they ship their goods, and they know exactly what it will cost to ship to Deadwood when they make their shipments from New York, or Chicago, or Baltimore. It is very seldom that any reclamation is made for anything on the route.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. What would be the effect of legislation on the long and short haul question in this country?

Mr. BLAKELEY. As it is generally received, it is like this: To say that

we shall not charge more for freight from Chicago to New York than we shall charge from Saint Paul, is one of those things that we regard as a kind of absurdity. It is not natural that it will be done. The generally received opinion is that you shall not charge more pro rata for a short haul than for a long one. I have gathered that opinion from the Reagan bill.

Senator HARRIS. The Reagan bill was that you should not charge more in the aggregate for a short than for a long haul.

Mr. BLAKELEY. I got the bill before it was passed. I do not know how it passed.

The CHAIRMAN. That is the substance of the provision on that subject.

Mr. BLAKELEY. Well, to embrace that in it is, in the nature of the case, an absurdity. To say that you shall not charge more from New York to Chicago than you do to Saint Paul, is absurd, because it is one of those things that it is evident you will not do.

Senator PLATT. Are there not complaints along the line of the road between New York and Chicago where the railroads charge more from New York to points along the road than they do from New York to Chicago?

Mr. BLAKELEY. As I say, I have no doubt there is possibly something of that kind. I know that it has been common to charge more for freight to points in New York than they would charge to Buffalo.

The CHAIRMAN. Suppose there was a shipment from Chicago to Saint Paul and another shipment from Chicago to a little station 10 or 15 miles out from here, where there is no general business. Do you know what would be the comparative charge?

Mr. BLAKELEY. I do not now call to mind what the comparative charge would be, but it would certainly be more than the through rate in proportion.

The CHAIRMAN. Would it not be something more, in fact, in the aggregate? Suppose you buy a bill of goods in Chicago to be shipped to Saint Paul, and a gentleman living at the nearer station to this point, between here and Chicago, buys another bill of goods. Does the railroad company charge more against the freight shipped, say, to Hastings, than it does against the freight shipped to Saint Paul, or as much?

Mr. BLAKELEY. I think not. I think a package shipped to Hastings would not pay any more than a package shipped to Saint Paul.

The CHAIRMAN. Suppose there is a car-load shipped to each place?

Mr. BLAKELEY. I think very likely it would be in favor of Saint Paul. I have no doubt of that, but I am not positive in regard to it.

Senator HARRIS. Do you think it ought to be less to Saint Paul than to Hastings?

Mr. BLAKELEY. Oh, no.

The CHAIRMAN. Is there any stated case that you can call to mind, as a business man and as a railroad and transportation man, where the charge ought to be greater for a shorter than for a longer distance, coming from the same point?

Mr. BLAKELEY. No; there is no good theory for that.

The CHAIRMAN. Is there any state of facts that would justify it in the ordinary run of business?

Mr. BLAKELEY. As to the question of whether you would haul a train through or deliver that car on the way, it sometimes involves perhaps as much or more expense to deliver the car on a side track on the way than it would to haul it right through?

The CHAIRMAN. And sometimes, after you have left it there, you have got to go after it, or it has to be picked up by some other train that comes along?

Mr. BLAKELEY. Yes, sir. Legitimately no railroad has a right to consider any such question as that.

The CHAIRMAN. The question I am trying to get you to answer unequivocally, if you are prepared to do so, is whether the law should prohibit the charging of more for a shorter than for a longer distance for the transportation of freight from a given point in the same direction?

Mr. BLAKELEY. I said, in the first place, that I thought you were not quite prepared to say exactly what should be done. As a matter of judgment, I should say that the authority to debar anybody from charging more to Hastings than they would to Saint Paul was a legitimate proposition. That ought to be done.

The CHAIRMAN. Do you think of any other points that you wish to mention?

Mr. BLAKELEY. Only that I should ask you to remember that we are strenuously in favor of the improvement of the Mississippi River and of the great lakes.

#### CHARLES McILRATH'S STATEMENT.

CHARLES McILRATH, of Saint Paul, Minn., representative of the Board of Trade, appeared and said:

I am engaged in the grain business.

The CHAIRMAN. You have been listening to what has been said by the other gentlemen, and you understand the general scope of this investigation. What suggestions have you to make?

#### GOVERNMENT CONTROL FAVORED.

Mr. McILRATH. Very little more than has already been stated; but I wish to reiterate what has already been stated, that our board, which represents pretty generally the business dealing of this locality, is in favor of Government control over the question of interstate transportation. We would suggest a commission with power to correct abuses; first, as against extortion from the shipper, and, second, against wrongful use of power by railroad fights, as the term is. We would have the rates made public by publication, and they should not be changed without reasonable notice; and if any railroad company cuts the prevailing rates, the lowest price they made in the cut should be the ruling rate until the next "rate sheet" was made, which of course would be the length of time that would be required to get out another rate. If they had to give thirty days' notice before they changed their rates, it would be thirty days that they would have to carry the same business for at the lowest cut rate. The object of that would be to stop railroad warfare. We consider that they disorganize business, and in the end do more harm than good. While it is for the moment a benefit to the shipper to get his supplies for a low rate, he immediately supplies himself with goods to carry, expecting the rate to continue, and he loses as much in the outcome by the lowering of the rates as he gains.

The CHAIRMAN. You say you would have the rates fixed at the lowest points while the war of rates was going on between the railroads; would you declare that in the law?

## HOW TO PREVENT RAILROAD WARS.

Mr. McILRATH. Yes, sir; I would make a law to the effect that the lowest rate made by a railroad company in an illegitimate contest with its opponent should be the rate for the balance of that rate-sheet's life.

The CHAIRMAN. Until after due notice that the rate is changed?

Mr. McILRATH. We think that would have a tendency to stop railroad wars in rates.

The CHAIRMAN. I believe you say you think there ought to be a commission?

Mr. McILRATH. A commission with power to look into grievances.

The CHAIRMAN. And to settle them as far as they had the power to do it under the law?

Mr. McILRATH. Certainly, both for the shipper and as against undue competition among the railroads themselves.

The CHAIRMAN. You have been in business and have been living here a good while. What is the feeling among the people in relation to the railroad companies; do they feel that they are being imposed upon by the transportation companies or not?

Mr. McILRATH. In some cases, yes, and in other cases not.

The CHAIRMAN. How do the agricultural people, as a body, feel toward the railroad companies of that State?

Mr. McILRATH. Take the people in the remote parts of the State, shipping into the center of the State, and the feeling, of course, is that they pay too much freight. You take the merchants and manufacturers of these two towns who manufacture largely and they feel that they get a reasonable rate.

The CHAIRMAN. They manufacture in large quantities and ship over long distances?

Mr. McILRATH. They have enough freight so that they really can control the rate and get justice done.

## REBATES AND DRAWBACKS.

The CHAIRMAN. Do you understand that this habit of paying rebates is practiced here among railroad companies?

Mr. McILRATH. It is more or less in vogue. It has been and probably is still.

The CHAIRMAN. Is it in vogue as a secret or an open arrangement; whenever a rebate is paid do the public know it?

Mr. McILRATH. No; the public, as a public, is not advised of it, of course. The man getting it would not make it public, and the railroad giving it would not make it public.

The CHAIRMAN. So that it is really a secret arrangement between the shipper and the railroad?

Mr. McILRATH. Sometimes all the men engaged in that particular branch of business will know it. It would not be secret so far as that individual branch of business is concerned at that place.

The CHAIRMAN. Does the railroad seek to make it known to all those engaged in that business, or do they find it out?

Mr. McILRATH. No, sir; all parties in interest keep it quiet, naturally.

The CHAIRMAN. Suppose you get a rebate, and there are a dozen other men engaged in the same business that you are in, does the railroad say to those other men, "We have given these gentlemen a rebate, and now we will give it to all of you?"

Mr. MCILRATH. In some cases they will, and in other cases not. Another man, my neighbor, will go in there and say, "I want the lowest rate there is; isn't some other party getting a lower rate?" Railroad men will give the other party the same rate as the first party.

The CHAIRMAN. Do you think the system is a bad one or not?

Mr. MCILRATH. Yes, sir; I do.

The CHAIRMAN. It ought to be prohibited entirely?

Mr. MCILRATH. I do not know whether I would prohibit it by positive enactment, or make it discretionary with the commissioners.

The CHAIRMAN. You are not clear on that, as to what plan should control?

Mr. MCILRATH. I do not know whether I should go into an absolute control by law. There are cases where the rebate may be given, perhaps, without injustice to any one. In that case, if the two parties wish to make a bargain, I do not say it is the Government's policy to prohibit it by law.

The CHAIRMAN. So you think it is a matter that ought to be left, as a matter of public policy, to the control of a commission?

Mr. MCILRATH. Yes, sir; I think that is as far as it would be safe to go.

#### UNIFORM CLASSIFICATION.

The CHAIRMAN. What have you to say on the question of a uniform classification?

Mr. MCILRATH. They should be as nearly uniform as practicable.

The CHAIRMAN. Do you know any reason why they should not be absolutely uniform all over the country?

Mr. MCILRATH. Yes; there are reasons why there may be a variation. Of course a commodity in one country, or one part of a country, may bear a rate that that same commodity will not bear in any other portion of the country; and each company now fixes its rates by changing the classification. That is one way that the expert takes to get his revenue in fixing the tariff. For instance, oranges in Florida may be governed by a different principle from what they would be in Minnesota. There may be one classification in one place and another classification in another, and justly so. So it might be proper with several products. All perishable property, for instance, might change in the same manner from State to State.

Senator HARRIS. Would it not be better to have the same classification all over the country, letting the transportation companies fix the rates as the cost of them may differ in different localities?

Mr. MCILRATH. Abstractly, I suppose it would.

Senator PLATT. The classification fixing the rates to some extent?

Mr. MCILRATH. To some extent. For instance, several items come into the question of fixing a rate: First, is the cost of the article itself as a matter of insurance; if the article is lost or damaged as a matter of insurance the company has to pay; second, the room that the goods will occupy; and third, the amount of handling that it will require. Several other things come into the computation when a railroad man makes a rate to carry an article.

Senator PLATT. Is this your idea: that the volume of the business with reference to a particular article is a good deal larger in one section of the country than it is in another?

Mr. MCILRATH. That is one of the things.

Senator PLATT. As, for instance, the shipping of copper from these

mines up here makes quite an item for the railroads, whereas the shipping of copper in Tennessee to a manufacturer would be small.

Mr. McILRATH. It may be nothing. For instance, wheat in the Northwest is the principal thing the railroad has to levy its revenue upon. They must look upon it differently entirely from what they would a steam engine loaded into the car and going into the country, or some other trivial commodity coming out of the country. They have to look at it from a different point of view, and in looking at it so comes these different classifications. Of course classifications, as well as tariff rates, are designed to make the most revenue for a given service. That is the object of the men levying them. At the same time the man levying those rates has no disposition to be dishonest, or to interfere as between those commodities, in making a rate or classification on them. Those men are governed generally by some reasonable proposition.

The CHAIRMAN. They are governed by some practical reason?

#### POOLING.

Mr. McILRATH. Yes, sir; by some practical reason. We, I think, as a board of trade are opposed to the principle of pools. And if considered necessary, our next suggestion is that the State or the United States should be a party to that pool.

The CHAIRMAN. Where pools exist or are allowed to exist, the Government, by its special tribunal or officer, ought to have some supervision over it?

Mr. McILRATH. Ought to have some power in that pool to protect the interest of the people.

The CHAIRMAN. To represent the people as well as the railroads?

Mr. McILRATH. Yes, sir. The tendency of pools, of course, is to advance rates, or to maintain good, strong rates.

The CHAIRMAN. What has been your observation on that question? Have they, by forming pool systems, advanced rates as a matter of fact?

Mr. McILRATH. Pools will strengthen rates if it does not advance them. The tendency is to get more money out of the same service. That is the object of the pool, as far as I can discern; and they sometimes do not make an unjust rate.

The CHAIRMAN. It is said by railroad men than one of the reasons for pooling is the fact that they want to make rates more stable, not to increase the rate.

Mr. McILRATH. They frequently do not increase the rate; sometimes they even decrease it; but the object of the pool is to make the rates more certain.

Senator HARRIS. To silence competition?

Mr. McILRATH. Yes, sir; as a rule, to silence competition, as you say. Our railroads here, so far as I know, have open charters. They are not bound by anything except to make reasonable charges.

The CHAIRMAN. They are governed by common law?

Mr. McILRATH. By common law; yes, sir.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. Have you anything to say on the long and short haul question?

Mr. McILRATH. Nothing particular, except that I should leave that



also in the hands of a commission. I think the more positive the law upon the subject the worse it may be. I think the commission can regulate that. It is not always the case that the short haul, although more than the long haul, is a wrong rate, or an unjust rate, by any means.

Senator HARRIS. If the railroads were prohibited by law from charging more for a short haul—in the aggregate, I mean—than for a long haul, would it not have a decided tendency to prevent those suicidal cuttings of rates that take place at sharp competing points.

Mr. McILRATH. Yes sir, it would, very decidedly. It is possible the same effect might be had by a different process. The process that I spoke of, that they be required for thirty days to take business at the same rate they made in their cut rate, would tend to do the same thing.

Senator HARRIS. If you were to do both, would it not make it much more certain to prevent that sort of thing?

Mr. McILRATH. Yes, sir; it would be stronger.

The CHAIRMAN. If there is anything else you desire to say, you may go on.

Mr. McILRATH. I have nothing to say, except as to these two points. I would like to give way to some other gentleman. Mr. Drake is an old railroad man and a granger and general business man.

#### ELIAS F. DRAKE'S STATEMENT.

ELIAS F. DRAKE, of Saint Paul, Minn., a railroad man, appeared.

The CHAIRMAN. What is your present avocation?

Mr. DRAKE. I am at present engaged in winding up the affairs of railroads with which I have been connected for some years.

The CHAIRMAN. Have you been engaged in railroad building here?

Mr. DRAKE. I built the first road in Minnesota, and have been engaged in railroadng, in management, ever since.

#### POOLING.

The CHAIRMAN. Do you know any reason why pools should exist?

Mr. DRAKE. I know of no reason why pools should exist, except to prevent ruinous and injurious competition both to the railroads and to the shippers.

The CHAIRMAN. As a matter of fact has that system succeeded in doing that?

Mr. DRAKE. I think it has to some extent. I think upon the whole it has been beneficial.

The CHAIRMAN. You think it has been beneficial to the railroads?

Mr. DRAKE. Beneficial to the railroads and to the people. So far as I know pooling has only been resorted to after a fight, as we may call it, between the railroads, and by which ruinous competition uncertain rates have been established, or rather they may have existed. Pooling is resorted to to prevent the continuance of that. So far as my observation has gone pooling has not in any case placed the rates above a fair compensation, or above a compensation existing before the fight that brought about the pool.

The CHAIRMAN. Before the cutting began?

Mr. DRAKE. Before the war began. That has been my observation.

The CHAIRMAN. It is frequently said by other men that every new pooling contract reduced the rates on many things. Is that so?

Mr. DRAKE. I do not know that it is due to the pooling contracts,

There has been a general reduction, from the course of business, from the ability of the roads to do the work cheaper.

The CHAIRMAN. In what direction have the roads run that you have been interested in?

Mr. DRAKE. I have been interested chiefly in the road running southwest to Sioux City and Omaha from this point, and the branch lines.

#### PUBLIC SENTIMENT AS TO RAILROADS.

The CHAIRMAN. From your experience in dealing with the people what is the general sentiment of the people with reference to railroads; that they are being imposed upon or not?

Mr. DRAKE. The people generally regard railroads as a monopoly, in the sense the newspapers use the term; and they regard the railroad always as a rich corporation, when they are, as I know, generally ready for the poor-house in the end. But they are regarded by the public as being a great mass of money, and are looked upon with suspicion in that respect. The general impression is that they are making a large amount of money and that they are paying better than they ought to pay.

The CHAIRMAN. What is the comparative state of feeling now and what it was a few years ago? Is there any difference in the sentiment of the people?

Mr. DRAKE. It is entirely changed, I think. I was, a few years ago, while I was connected with my railroads, a member of the senate of our State, when railroad legislation was the subject of feeling. Then it ran very high.

The CHAIRMAN. How many years ago was that?

Mr. DRAKE. Eighteen hundred and seventy-six I think it was. It ran so high that our legislature was almost unanimous upon the subject. Myself and a manager on the other side voted against a bill that was so radical that it was never enforced an hour, and was repealed with unanimity at the next session. At present I know of no public sentiment against railroads. There is generally local feeling against railroads.

#### DISCRIMINATION AGAINST PLACES.

The CHAIRMAN. Take a station 10 miles from a competing point, and that much nearer to the market, where the people are charged more to that market than is charged from the competing point, which is 10 miles farther way. Are they not discriminated against?

Mr. DRAKE. As a general proposition I do not think they are charged more. I think they are charged the same rate, generally. There may be instances where they are charged more, but the people of course, at those points feel that they are discriminated against.

The CHAIRMAN. What would be your idea on that subject?

Mr. DRAKE. My idea would be from experience, that the railroad, from necessity, is compelled to meet the other rates at the competing points or do no business; that at the point 10 miles from it, so far as my experience is concerned, the railroads in Minnesota have never had a fair compensation for their business. They have never reached it yet I think. I think they are working too low entirely. I think on the whole their revenues are too small for the service they do—on the whole business.

The CHAIRMAN. I suppose then, if on the whole their revenues are too small, that at those competing points they would be entirely too small?

Mr. DRAKE. Entirely so.

The CHAIRMAN. Then is it right that the non-competing points should make up the difference?

Mr. DRAKE. No, sir.

The CHAIRMAN. What is your idea about it?

Mr. DRAKE. That I would leave to somebody who is wiser than I have ever found yet to regulate. As a railroad man of twenty years, I have never been able to see a remedy.

#### WHERE LOW RATES FOR LONG HAULS ARE PROPER.

The CHAIRMAN. What would be your view as to what ought to be attempted to be done; anything?

Mr. DRAKE. Yes, sir; but I am not very clear what can be done. There are so many complications arising in railroad transportation business that no general rule can apply. Let me suggest one. Take a given point on the road with which I was connected as president and general manager. There was a river running by which had occasional navigation. People would accumulate grain on the bank of that river and warehouse it near the railroad station. When the time came to get that, they would get a rate for the accumulated 10,000 bushels. The boat would give a very low rate. The railroad had to choose whether it would take it at that rate or leave it. It was running trains empty. We had taken lumber out in the country, and the cars were coming back empty. That wheat was placed where the party could put a steamboat against the cars in competition. We were compelled to meet that situation. We could not help ourselves. The law would have been an unjust one, in my judgment, that would have prevented us from taking that wheat at a rate for which the steamboat would take it, and it was a lower rate than we were getting for 10 miles shorter distance.

The CHAIRMAN. Was it a lower rate than you could afford to do it at?

Mr. DRAKE. No, sir. We could afford to do it at that rate, coming along with empty cars, rather than to leave it. The road with which I was connected ran to Sioux City from here. At Sioux City we met a competing line to Chicago, a competing line for taking wheat and bringing in lumber. We were carrying from 30 to 40 car-loads of lumber a day to Sioux City. There was a place that would bear a certain price to Minneapolis and not much more. It would leave about 6 to 7 cents a bushel to bring it to Minneapolis. Now, we had to elect to bring that at that price or let it go to Chicago. We had to elect to bring back 30 to 40 cars empty every day to Minneapolis for more lumber, or load them at a rate that would pay us \$20 a car. At that rate on the whole business we did we should have gone into bankruptcy; but at that rate in that particular case, made by competition that we could not prevent, we made some money; and the rate was greater than we charged to the State line, which was two-thirds the distance.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. So that, on your reasoning and the state of facts given, that would bring you to the conclusion that we could not safely say by law that you should not charge more for the shorter than for the longer distance, would it not?

Mr. DRAKE. I think so; yes, sir. I think it would be ruinous to some roads, placed geographically in a certain position, and having a market at certain points, and having competition with another market.

With my experience of thirty years I have never known a railroad to discriminate for the purpose of discrimination. I can say that of the roads I have been connected with, at least. They have done it from a necessity that they would gladly have avoided, and have racked their ingenuity to avoid.

The CHAIRMAN. Allow me to ask you another question that may not be exactly fair to you either, but you can answer it or not as you choose. In your experience has it or not been the policy, when you were having a pretty hard struggle to get along, to put on to those people at non-competing points just as much as they would stand?

Mr. DRAKE. Never have we done anything of the kind to my knowledge. We have made up our tariff based upon the whole line of transportation, regardless of competing points. The rates at the competing points are made by the necessity of competition. We start off with the theory that the roads meeting at those points would charge a fair, reasonable rate, and would not make an unreasonable one. But in the course of time we find the race for business brings about a competition, and perhaps our line is as guilty as the other in trying to get it. But so it arises; and we have found it impossible to make arrangements and agreements that should be lived up to in good faith to keep up the rates at that point.

#### NO EXTORTION AT NON-COMPETING POINTS.

The CHAIRMAN. Do you think, as a matter of fact, that there is no extortion practiced on the people at non-competing points by the railroads?

Mr. DRAKE. No, sir; none ever came to my knowledge.

The CHAIRMAN. You do not think any of them have to pay more than a reasonable rate?

Mr. DRAKE. I do not; no, sir.

The CHAIRMAN. Such a rate as would be declared reasonable, under the common law, on investigation?

Mr. DRAKE. I think not; unless it is judged by what they have charged elsewhere. But if it was judged upon its merits I do not know of any instance where an unreasonable rate has been charged.

One other remark about competing points. The railroads are not responsible exactly for the reduction of rates at competing points. It depends largely upon the buyers elsewhere, and the value of the commodity at the terminal points of the several roads. I will illustrate: A road crossing the line with which I was connected, and running to Chicago or Des Moines, or anywhere, finds occasionally an advance of the wheat market at a particular point above what can be advanced here. The buyers for our roads must at once get out of the market, or we must meet it by some reduction on the rate at the competing points. It is not a fight against the other road. The other road may continue its trade, and will get its rate because the article transported will bear a price which will enable them to take it, and our buyers must get out of the market. It is fixed by the market, with which the roads have nothing to do; and the road must go out of business, or haul its cars back empty, or meet that situation, for the buyer would lose 2 or 3 cents a bushel if he shipped over the road and paid ordinary rates.

The CHAIRMAN. He must get lower rates in order to buy?

Mr. DRAKE. He must get lower rates, or the railroads could not get that business at all. The buyer must have something to pay him for shipping.

## REBATES.

The CHAIRMAN. Do you know any reason why rebates should not be prohibited?

Mr. DRAKE. I do not know, unless in a case of this kind. The road with which I was connected gave few or no rebates. They did give them under these circumstances: We ran through a new country, and we crossed all the lines that led from Chicago and Milwaukee, running out in a southwestern direction. We found violent competition there, requiring us to have buyers on the line. For the success of the road it must have buyers. Now, the buyer for your line puts up the rate or price of wheat 5 to 7 or 10 cents at a common station. Your road takes all the wheat from the other lines and from the other points that are in reach, because the farmer will haul it 20 or 25 miles for 7 or 10 cents. We had to make arrangements as to rebates in this way: We said, "Go on your line, organize your force, and be ready to buy wheat every day of the year. If in the course of your business you are forced to pay more for your wheat than you can get for it, we will make it good by rebate; we will haul it for nothing rather than lose the business."

We have given rebates of that kind, and had we been prohibited from doing so we would have gone out of business on the line, and when we were out of business the price would have gone up again. We have frequently illustrated that. We have tried it and found that to be the fact. We had to arrange to keep our business in competition with other lines and other buyers. As I remarked before, it is not always railroads we are fighting against. It is buyers for millers and shippers for other markets who are beyond control.

## PUBLICITY OF RATES.

The CHAIRMAN. What do you say about published rates?

Mr. DRAKE. I think the rates ought to be published, and I believe they generally are published. At the same time my experience would not justify an iron-clad rule that the rates should never be changed until after a given notice.

The case I gave was a little case of 10,000 bushels of wheat on the river. We had, within an hour after we were applied to, to determine whether we would take it or leave it. If we had left it the steambot would have taken it. They repeated that again and again, to our injury.

There is another reason why an iron-clad rate is not a fair rate. Every man accustomed to railroading will learn that there are periods of the year when he has to have his rolling stock lie upon a side track. He has to build a side track, and they lie in the sun. At that period of the year he had better cut his rates and carry a commodity that will not bear transportation at as high a rate as his tariff, rather than to lie idle. If he is compelled to wait thirty days to fix that, he will let his rolling stock lie on a side track thirty days doing nothing, when he would have made money and benefited the country by hauling it. I have thought a good deal of that fixing of an arbitrary rate without changing, but I have never seen how it could practically be enforced. Again, there are other competitions with railroads. There are competitions of railroads that are not what is called interstate roads, that would be beyond the control of such interstate regulation as is now proposed. They are not bound by it. They may change a tariff that will take all the business from a road that is under a published tariff, under the iron-clad law. I have never seen, in my recollection, how such a system could be beneficial to the public, and why it would not in

many instances be ruinous to the railroads. It is true that with steamboat competition we would be perfectly at their mercy if we were bound by such a rule. The steamboats might any day break the rates by cutting half a cent lower, while the railroads could not take it for that price. It would go by the steamboats.

Senator HARRIS. Suppose the steamboat was required to publish its rate also, and not to change it without the same notice?

Mr. DRAKE. If you had a steamboat that was amenable to your rules of publicity, that would perhaps remedy it.

Senator HARRIS. A steamboat is as amenable as a railroad, if it is engaged in interstate commerce.

Mr. DRAKE. Yes, sir. In reflecting on this interstate commerce question, I have found this difficulty. I have studied very much over that question. We have instances where a railroad on one side of the river in the country passes through two or three States. A State with a long river line on the other side has a railroad that passes through only one State. You have the position then of the railroad which passes through the three States being subject to your control, the other one not, and it would be doing all the business. You may publish your rate to day and they will put it half a cent lower to-morrow, and they will do the business for thirty days.

The CHAIRMAN. When you fix it again they will drop it again?

Mr. DRAKE. Yes, sir; it has occurred to me that that was almost an impracticable regulation. Look at the Reagan bill. I have made that reflection upon it. That is so, to some extent, upon our Mississippi River. A road on one side could run a long distance unaffected by the interstate commerce bill, and yet carry it to the same points practically that the other road would.

The CHAIRMAN. One would be in one State all the time, and the other would run through three?

Mr. DRAKE. Yes, sir. As a railroad man I would like no better fun than to break up a railroad inside of three States, if you would give me that law, and I would do all the business. You will find it all over the country; the thing is occurring more or less.

Senator HARRIS. If the State should adopt the same rule, so far as the publication of rates is concerned, that remedy would be had?

Mr. DRAKE. Yes, sir.

The CHAIRMAN. Provided you made the publication of rates at the same time?

Mr. DRAKE. I have not been able to see a great advantage in adhering to the rates for a given time, for the reasons I have before suggested, that the railroad company, like any other business, can afford to work at times at a lower rate than at another. It is the average business, it is the general business of the country which employs this rolling stock and machinery for certain seasons of the year. Suddenly the business season ends, and a new business comes in that they can do in competition with some other lines elsewhere, which they could not do without cutting the rates.

#### MARK H. DUNNELL'S STATEMENT.

MARK H. DUNNELL, of Owatonna, Minn., appeared.

The CHAIRMAN. You have had occasion to study this subject a good deal, both in and out of Congress. We would like to hear your views upon the subject without any examination by us, as we will have some difficulty to hear all the gentlemen who have appeared.

Mr. DUNNELL. I came into the room to pay my respects to the members of the committee, not intending to take this chair at all. While in Congress I was four years on the Committee on Commerce, and the question of interstate commerce was very much discussed. Mr. Reagan was chairman of the committee while I was a member of it, and, as you are aware, he took a good deal of interest in interstate commerce. I took a certain interest in it myself.

The CHAIRMAN. If you have any views you would like to state we would like to hear them. You are now out of Congress.

#### CONGRESSIONAL LEGISLATION.

Mr. DUNNELL. I do not know that I have very well-formed views. I have never been in railroading, nor have I been in a business which would make me in any way a shipper. I have represented the people, who have pretty largely in this State, at different times, felt that the railroads were making too much out of the franchises which had been granted to them by the State, and that there ought to be some Congressional legislation which should affect our interstate commerce. I came to believe while in Congress that Congress ought to control the interstate commerce of the country. I came to believe that Congress had the power to do it, and that Congress ought to exercise that power. While I did not approve of all the provisions of the Reagan bill, I voted for it, as I did for the bill that was introduced and put through the House by Judge McCreary, of Iowa. For I felt that Congress ought to control the interstate commerce of the country. There were some provisions in that bill which did not meet my approval; and while representing this State, my colleagues, I think, in both instances, voted against the bill, while I voted for it. They were shippers, and were interested in long hauls. I represented a people that were more largely interested in short hauls than in long hauls; and as a Representative I felt it my duty to vote as I did.

As I said to one gentleman to-day, I have felt that the fact that there was so much more charged for short hauls than for long hauls had had very much to do in forming the public opinion which is demanding Congressional legislation controlling interstate commerce. I do not know that there is a necessity in that; but it does not strike the public mind favorably.

I live at a point where two roads pass, the Milwaukee and Saint Paul crossing the Chicago and Northwestern. We are very fortunately located. We get our lumber at Minneapolis a good deal cheaper than they get it at points 30 and 15 miles this side. We get our goods from Chicago a great deal cheaper than they get them at Rochester, 40 miles nearer Chicago. We get all of our goods cheaper than our Rochester neighbors do, whether it be lumber from Minneapolis or merchandise from Chicago, because of living at that point. Now, I do not know anything about railroading. I do not understand the philosophy of it. It is said that railroads could not do any business, as Mr. Drake has said here (and he has had a large experience), and that it would be impossible for a railroad to avoid bankruptcy, if it did not charge more (or as much) for short hauls than for long ones.

The CHAIRMAN. In some instances.

Mr. DRAKE. I meant to say that short hauls were as low as they could be made to avoid bankruptcy; and if you put the short hauls at long-haul rates it would send the roads into bankruptcy.

## REBATES.

Mr. DUNNELL. I have never myself felt that rebates ought to be sustained, and if Congress had control over interstate commerce I think it should interfere to prevent rebates. They are unjust discriminations. Because I happen to be acquainted with the railroad officers, and can get a rebate on a certain commodity, it is no reason why my neighbor, who may not be as fortunate, should be compelled to pay 10 to 15 or 20 per cent. more than I do. It is against good morals. It is against justice and fair play. I think that rebates ought to be legislated against, if Congress has the power.

The CHAIRMAN. They should be prohibited.

Mr. DUNNELL. They should be prohibited. I am unable to sustain that statement by any experience which I may have had or by any process of reasoning, except such as comes to me from a conviction of the absolute injustice that is done the citizen. And, if Congress has the right to control the vast interstate commerce of this country it should control it in the interest of the people. I have no raids to make upon the corporations of the country. The railroads have treated me well enough. I have no prejudices at all, and am entirely free. I have never been a shipper and have never been discriminated against. I am only reflecting what may be the public opinion and my own conviction on the matters to which I allude.

## POOLING.

Senator HARRIS. Do you think it would be wise to prohibit pooling?

Mr. DUNNELL. I have believed that it ought to be prohibited, and yet I cannot say that I think it would be wise to do so, because I would hardly know how to present any precise reason that brings me to that conclusion. And yet pooling does not seem to be fair in that it cuts away the great relief which the people have, namely, competition. It is in the public mind, and I think it is true, that pooling is entered into largely and generally to prevent competition. If so, it is against the interests of the people. It may be in the interests of the railroad, but I think the shipper should have some rights.

The CHAIRMAN. If it operates to produce greater stability of rates, to that extent it would not be objectionable, would it?

Mr. DUNNELL. Oh, no, I think not. I can conceive that it would have that tendency in many instances, but I think pooling in some instances is entered into deliberately for the purpose of holding the rates so that there should be no reduction brought about by competition.

Senator HARRIS. It is invariably for that purpose, is it not?

Mr. DUNNELL. I cannot see on what other basis it should be entered into.

Senator PLATT. Competition as between individuals is safe, because if one man by competition seeks to build himself up and become a monopolist in a particular business, other people having private capital can go into the same business, and so that danger is diverted to some extent; but is not the inevitable result from the competition in railroad building to build up a monopoly of railroads? Will not the strong railroads absorb the weak ones, and will they not be in a worse condition than before?

Mr. DUNNELL. Possibly that is the case.

Senator PLATT. I do not ask it as indicating my opinion, but I think, if you have reflected any on this subject, you can see how very difficult and complicated the subject is.



Mr. DUNNELL. Very; it is the great problem, I think, and a man hardly knows where he will land when he takes a given position. I think Congress will, at any rate, solve the problem by and by.

The CHAIRMAN. You live in the country in the sense that you do not live in Saint Paul or Minneapolis, which are the largest cities.

Mr. DUNNELL. Yes, sir.

#### PUBLIC SENTIMENT AS TO RAILROADS.

The CHAIRMAN. What is the feeling among the masses of the people out in the country; is it intense against the railroads?

Mr. DUNNELL. Not in the region of country where I live, because of the circumstances to which I have alluded. I should say generally, in the southern half of the State where I live, that in the majority of localities the people feel that the railroads are charging an unnecessarily high rate. We are quite well supplied in the southern half of the State with railroads. The Saint Paul and Milwaukee road is the great competing road with the Chicago and Northwestern. We get some advantages in the southern half of the State that I do not think they get in the northern half, because of the existence of those two large roads which pass through the entire southern half of the State. They do not pool their issues, as I understand, or pool their earnings. I do not suppose we do.

The CHAIRMAN. How is the feeling now compared with what it was five or ten years ago?

Mr. DUNNELL. I think there is less feeling of opposition among the people.

The CHAIRMAN. Why is that?

Mr. DUNNELL. The roads have become fixed; and I do not think the rates, so far as I know, are as high as they were a few years ago. I think the rates are lower than they were five or six years ago; and I think the people have reflected upon the matter, and have taken more sensible views, or at least less rabid views than they did at that time. Of course, there were points along the railroads where people were made sour and cross; but now the roads have settled down, and the two roads have captured the entire southern half of the State, and there is a more quiet state of mind against the railroads.

The CHAIRMAN. How does the Northern Pacific get along here with the people?

Mr. DUNNELL. I am unable to say. I see in the newspapers sometimes charges against the road, and that its rates at certain points are very high. I suppose the tariff on that road is a little higher than on the other roads to which I have alluded, yet I am unable to say.

The CHAIRMAN. Is that road in any pool?

Mr. DUNNELL. I do not know anything about the road at all.

#### OLIVER DALRYMPLE'S STATEMENT.

OLIVER DALRYMPLE, of Saint Paul, Minn., farmer, appeared.

The CHAIRMAN. Where do you reside and do business?

Mr. DALRYMPLE. I reside in Saint Paul and do business in Dakota.

The CHAIRMAN. How far away do you do business?

Mr. DALRYMPLE. Two hundred and fifty miles.

The CHAIRMAN. You are engaged in agriculture entirely, are you?

Mr. DALRYMPLE. Yes, sir; wheat-growing is my chief occupation.

The CHAIRMAN. As an agriculturist, what have you to say in complaint against the railroad companies of the country?

Mr. DALRYMPLE. As an individual, nothing.

The CHAIRMAN. As a community, what have you to say?

#### A NATIONAL COMMISSION.

Mr. DALRYMPLE. My views would be something of a general nature. The question of the national commission has been discussed to-day. I look at that somewhat in this way: That when the Government was formed the chief interests of the country known at that time were taken care of. The different branches of the Government were provided for. But the railroads of the country have become the chief interests of the country, and have grown up within the last fifty or seventy-five years. The subject has been so difficult and so gigantic that Congress seems to have omitted to grapple with it. And the time has come when a national commission, with its identity and features the same as the part of the Government that has charge of the currency and the customs and revenue laws, should have an existence and identity, and Congress should look after these great interests.

#### THE WATERWAYS THE PEOPLE'S HIGHWAYS.

I would say further that in a general way I would not attach very much importance to regulating immediately the matters of pooling or rebates; but I would go in a different direction. I would regard the waterways of the country as the peoples highways; and I would follow the example of Canada in opening the Saint Lawrence from Quebec up to Montreal. I would make the Erie Canal a national work. I would enlarge it and deepen it, and make it a national property instead of a State property, and give an uninterrupted commerce from the West to the East that would make it impossible for Mr. Vanderbilt or any other man to double or quadruple his stock by watering or any other process. I would meet the great corporations of the country in that way.

The CHAIRMAN. When you did that, would that be sufficient?

Mr. DALRYMPLE. Just as long as we can, as now, carry freight on the great water courses of the country at a mill a ton per mile we can beat with the steam-barge the steel rail, which costs a cent a ton a mile to move the freight. We do not ask any odds; we can take care of ourselves. The agriculturist of the West can lay his products down into the hands of the consumer as against the great corporations of the country.

The CHAIRMAN. That is to say, where you are of easy access to water communication; but are there not some portions of the interior of the country that could not get that advantage without transporting the freights a long distance?

Mr. DALRYMPLE. Some portions of the country would have an advantage over others.

The CHAIRMAN. Would you do anything further than improve the waterways?

#### DIVIDENDS ON ACTUAL VALUE.

Mr. DALRYMPLE. If I did anything I would take up the matter of railroads in this general way; I would appoint a committee of experts, or a court of experts, so to speak, and place an actual cost value upon the railroad property, and then I would provide that that property

should have a dividend, or should pay interest on bonds, the same as every government provides that the money of the country should draw a percentage, namely, 6 or 7 per cent. But any of those radical changes would have to be made slowly, and with a great deal of deliberation and consideration.

The CHAIRMAN. What does it cost you to ship your grain from your large farm or farms to the point where you market it, Saint Paul, or Duluth, or wherever it may be?

Mr. DALRYMPLE. The rate from the Red River Valley to Duluth and Minneapolis for a number of years has been 15 cents a bushel. Within the last six or eight months it has been reduced to about  $13\frac{3}{4}$  cents per bushel.

The CHAIRMAN. From your place to here?

Mr. DALRYMPLE. Yes, sir; from the Red River of the North; from that valley where I operate.

The CHAIRMAN. Do you send it on farther, or do you sell it at those markets?

Mr. DALRYMPLE. A portion of the products is sent by first owners across the lake to Buffalo, and in some instances to New York; but generally the product is not followed by first owners beyond the lake ports.

The CHAIRMAN. It costs you now about 13 cents per hundred?

Mr. DALRYMPLE. About  $13\frac{3}{4}$  cents per bushel.

The CHAIRMAN. How does that compare with the price from Duluth to New York?

Mr. DALRYMPLE. It has been the case that wheat has been sent from Chicago to Liverpool at a rate as low as that, and even lower.

The CHAIRMAN. That is some 3,000 or 4,000 miles?

Mr. DALRYMPLE. I should say it would crowd 4,000 miles.

The CHAIRMAN. Sent for a less rate than  $13\frac{3}{4}$  cents.

Mr. DALRYMPLE. Yes, sir.

The CHAIRMAN. Yet it costs you from your place to Duluth or Minneapolis that much?

Mr. DALRYMPLE. Yes, sir; but that is in consequence of being able to get the competition between the great roads and the great lakes, and sometimes in consequence of the great roads fighting each other. Of course, in the newer countries the producers have to pay the railroads a very much larger percentage because the volume of business is smaller.

Senator PLATT. How far is it from the Red River Valley to Duluth?

Mr. DALRYMPLE. About 250 miles.

Senator PLATT. What is the distance to Minneapolis?

Mr. DALRYMPLE. Nearly the same.

The CHAIRMAN. Your general idea is that the waterways of the country ought to be improved and cared for as the cheapest means of transportation, and as a means of regulating commerce on railroads?

Mr. DALRYMPLE. Yes, sir.

The CHAIRMAN. After that do you think any law ought to be passed providing that there should be no pooling, no rebating, and all that kind of thing?

#### ELEVATORS UNDER CONTROL OF RAILROADS.

Mr. DALRYMPLE. I think the producers of wheat and corn in the West have had more reason to complain from a want of an absolute freedom of the elevators of the country from the favor or control of the railroads than they have from rebates or from pooling. The farmers have felt very recently that it was necessary that the growers of wheat and

corn should have free trade in those products existing at every point, and equal rates in storage and shipment. Some of the railroad companies of the West have seen fit to favor one particular line of elevators in some instances, but recent legislation of Dakota and Minnesota has corrected that, and by the establishment of a State and Territorial railroad and warehouse commission we hope to be relieved of that. That has been one of the greatest difficulties that we have had to contend with. We have thought that was more of a grievance than the high rates. I have sometimes thought that Congress should so regulate the land grant railroads that it would be impossible to give the exclusive privileges of elevators to one man. We hope to see those abuses, or inequalities, or oversights, or mistakes all corrected as time wears on. We think we are coming to the point where these things are now passing away.

Senator PLATT. How does a railroad company give exclusive privileges to one firm who are building elevators?

Mr. DALRYMPLE. I was going to make an illustration. Take, for instance, the Hastings and Dakota road. That road might say to one man, he could build a line of elevators along its road. Then the owner of those elevators establishes his rates. You might be able to load your wheat in the cars at  $\frac{1}{2}$  a cent a bushel, but he might charge you  $2\frac{1}{2}$  cents for passing it through his elevator.

Senator PLATT. What is to prevent another man from putting up an elevator right alongside of him, and making active competition?

Mr. DALRYMPLE. They claim a right of way of so many feet. They do not give the other man a permit to go on and establish that elevator in competition. He is an intruder if he goes there. I do not speak of that as applying to any one road. It largely applies to the roads of the West, and has been a matter that the public have felt to be a grievance which they have sought quite recently to correct by legislation.

Senator PLATT. So the farmer is practically at the mercy of the elevator man as to what elevator charges he shall pay?

Mr. DALRYMPLE. He has been on several roads of the West.

Senator PLATT. And that is because the railroad will only allow one particular man to put an elevator where the farmers can load the grain?

Mr. DALRYMPLE. Yes, sir; at a particular station. There ought to be, where there are land grant roads, some general regulation in relation to that. I think if that was done it would be largely to the interest of the stockholders of the railroads. I think it would add to the value of the land of the company, and would encourage immigration and settlement, and increase taxation, and be of general benefit to the country. It would probably only injure the man who had the exclusive privilege of building and running the elevator at that particular point.

#### ORIGIN OF ELEVATOR PRIVILEGES.

Senator PLATT. How does one man get that privilege? Is it a matter of social favoritism, or are the railroads themselves interested at times in the elevators, or are railroad men interested in the elevators, and their profits?

Mr. DALRYMPLE. I am inclined to think it originated first as a sort of mistake. A railroad company builds a road penetrating a new country. Some self-sacrificing individual comes along and says, "It will not pay you or anybody else to build elevators here, but I will go on and build elevators and charge  $2\frac{1}{2}$  cents a bushel, and the company will

be provided with elevators. It will be a good thing for you and the farmers." But what is thought to be a benefit to the people and the railroad company soon grows to be an abuse. I hardly think the railroads or their employes or officers are interested in anything of that kind.

### DATUS E. MEYER'S STATEMENT.

DATUS E. MEYER, farmer, of Saint Cloud, Minn., appeared.

The CHAIRMAN. Where do you reside?

Mr. MEYER. I reside at Saint Cloud, 75 miles northwest of here. My business has been generally farming.

### DISCONTENT DUE TO EXTORTION AND DISCRIMINATION.

The CHAIRMAN. You have some definite ideas on this subject of regulating and controlling railroads, State and interstate, perhaps. Will you proceed, as we are a little short of time, and give them to us as quickly as you can.

Mr. MEYER. I will do so. There is a very wide discontent among the smaller farmer of the State in regard to those matters, arising both from discrimination and what they consider extortion. To illustrate what I mean by that, I can produce you freight receipts that will show where car-loads of stuff have been brought from Springfield, Ohio, to Saint Paul at a charge of \$65 a distance of about 800 miles, and carried to Saint Vincent, a distance of about 400 miles, and charged \$155. That we exhibited in the legislature last winter while I was a member.

The CHAIRMAN. What road is that on?

Mr. MEYER. On the Manitoba. There were other freight receipts exhibited there, showing that where a car had been charged, I think, \$45 from Chicago to the transfer out here by Saint Paul, from there to Alexandria, a distance not exceeding 175 miles, \$72 was the charge. There were other receipts showing the same abuses in different localities as great as that. Then there were discriminations proved, such as this (Mr. Dalrymple alluded to them to some extent): They absolutely refused to allow a small farmer to have a car at all, in which to load his corn and ship it away, unless he put it through that elevator system that he refers to there.

Senator PLATT. Is there any difficulty about giving a farmer a car to load?

Mr. MEYER. Yes, sir.

Senator PLATT. Is it difficult for a railroad to do it, or is it impracticable?

Mr. MEYER. No, sir; it is not impracticable. They have switches on which we could load our cars, but they absolutely refuse to allow us to have cars, on account of having given the exclusive privilege to those elevator lines that Mr. Dalrymple was speaking of here. We could not get them for any price at all. That was common in the north-western part of the State. It is referred to in the railroad commissioners' report of last year.

Another thing that was practiced, and was brought to our notice in the legislature, was this: They have what they call a transit-rate system in the southern part of the State. If I wanted to ship grain to Milwaukee I would have to pay the rates clear through to Chicago before they would allow me to ship at all. Then they would give me a ticket for the difference between Milwaukee and Chicago, and I would have

to sell that ticket for whatever I could get for it. These abuses have caused the farmers to think that they are very much abused in the matter.

#### FARMERS' SECRET ORGANIZATIONS.

You know how hard farmers are to organize; and yet there are over three hundred secret organizations in this State, organized for the purpose of obtaining redress in that matter.

There is another thing that small farmers feel abused over a great deal, it is this, they feel that they are required to pay interest on a much larger sum of money than a road costs. I believe, and I have been among the farmers a great deal, that I can say I have never heard a farmer express a desire to cripple a road in any way whatever. The only desire they have is to be protected in their common-law rights in these matters. They think they ought to have protection; and they look to Congress to give them some relief in these matters.

The CHAIRMAN. What proportion of the traffic in this State is State traffic and what proportion is interstate traffic?

Mr. MEYER. I think there is a much larger proportion of it State traffic than interstate, in all probability; and yet not so much after all, for this reason, that nearly all of our machinery and goods comes from out of the State into it; and any extra rates such as I have referred to as was charged on machinery and other things of course is taxed on the cost of the machinery; and the farmers who consumed them have to pay extra cost. They feel very much aggrieved over the matter.

Senator PLATT. Were these discriminations or unreasonable rates that you speak of on machinery?

#### THE LONG AND SHORT HAUL.

Mr. MEYER. Yes, sir; they were principally on machinery. That to Saint Vincent was on machinery; that to which I referred as going to Alexandria, I believe was on machinery also. It is common to all goods that we consume. I can bring freight receipts if I have the time, or I can send them to your committee, substantiating these facts.

Senator PLATT. I have no doubt they exist, for we have heard of them frequently.

Mr. MEYER. We feel that they charge us extra rates on our grain for short distances. For instance, we ship from Saint Cloud to Minneapolis. They charge us when they ship through the elevator (besides which we have to pay the elevator charges) from 7 to 8 cents per bushel for a distance of 75 miles. That would be about 12 cents per hundred for a distance of 75 miles. We think that is an extraordinary price.

The plan of discriminating, and charging more for a short than for a long haul near competing points, is almost universal. I will allude to a case that has been brought to our notice at Mapleton in this State. Last year a merchant there shipped salt from out of the State to Mapleton. They charged him, as I recollect it, nearly 50 per cent. more for shipping it to Mapleton than they do from Mankato, a distance of 12 miles further on. This was brought to my notice, and I am calling it up from recollection. He thought he could get some relief by shipping his salt first to Mankato and then shipping it to Mapleton, but the railroad company, finding out what he was attempting to do, charged him the difference between the prices that they would have charged to Mapleton. So that he made no money by the operation.

Senator PLATT. Would you make the same rate per mile for a long distance that you do for a short distance?

Mr. MEYER. No, sir; I would not.

## THE FEELING AMONG FARMERS VERY INTENSE AND GROWING.

Senator PLATT. Do you think the disparity between the long distance and the short distance is altogether too much?

Mr. MEYER. Yes, sir; in many cases it is. There have been instances brought forward here where it would be a hardship to a railroad not to allow it to carry freight; and yet I do not believe that those isolated instances should be allowed to break the rule. I believe that the people should have some protection in these matters. I tell you that the feeling through the country among the small farmers and dealers, who suffer, is much greater than you think. Take men who are very wealthy (like Mr. Dalrymple, who gets special rates which this small farmer does not get), and they believe in them. If you could get a rule laid down by which the small farmer believed he was getting justice he would be contented; but as soon as he feels that he is not getting justice there is great discontent, and that discontent will grow.

Mr. Drake alluded to the fact of their passing some laws here. That was just before a period of great depression. And the reason those laws were repealed was largely due to the fact that the railroads, either from being crippled on account of the general depression of business or otherwise, were unable to afford any good relief; and the whole matter seemed to be broken up at that time. That seemed to be the difficulty. The next legislature did repeal those laws. But last winter there was a very strong feeling in favor of re-enacting some laws that would protect the people in their common-law rights. That is all they are asking for. They are not asking to cripple the railroads or to do an injury to them in any way. They want them to have a reasonable rate on the actual amount of money that they have invested, but they want their own rights protected.

## THE PEOPLE WANT REASONABLE RATES, AND NO DISCRIMINATIONS.

Senator PLATT. They want reasonable rates and no improper preferences?

Mr. MEYER. No improper preferences. That is all they ask for.

The CHAIRMAN. They have the right now to go into court and sue if they are charged an unreasonable rate?

Mr. MEYER. That is true. But suppose a farmer sues under the common law. The railroads have their attorneys hired and paid all the time, and they can carry that suit on until an ordinary farmer is ruined. He cannot contend with the railroads.

The CHAIRMAN. What would you have done?

## A COMMISSION WANTED BETWEEN THE FARMER AND RAILROADS.

Mr. MEYER. I would put a commission between the farmer and the railroads that would see that he obtains justice. That is what I would have done, and what the farmers desire shall be done. You can depend upon that.

Senator PLATT. And if a railroad charged an unreasonable rate to a farmer, or gave undue preferences, and it was ascertained by this commission, and the railroads still insisted upon doing it, you would have some provision that the Government should prosecute the case at the expense of the Government and not at the expense of the individual?

Mr. MEYER. Exactly. I very much would desire such a law, and that is a kind of law that is very much desired by the farmers.

I want to refer to another thing. It has been stated to your committee here to-day by a gentleman that the recommendations of the railroad commissioners of this State had been generally paid attention to. I refer you to the railroad commissioner's report of two years ago, in which he says that they had not paid attention to his recommendations, and that they were a law unto themselves, and ignored him and ignored the State. That is a matter of public report of two years ago.

#### THE MINNESOTA RAILROAD LAW.

The CHAIRMAN. You know something of the present law of the State?

Mr. MEYER. Yes, sir.

The CHAIRMAN. You have been a member of the legislature?

Mr. MEYER. Yes, sir. I was in the legislature when it was passed.

The CHAIRMAN. Can you give us a general idea of what the law now is?

Mr. MEYER. Yes, sir; to some extent. In the first place we have made car-load lots the unit. We made the law so that a man who is shipping one car-load should have the same rates per car-load as the man who is shipping one hundred cars. That is one provision, and the principal one. We have another provision prohibiting unjust discrimination as against individuals, and also compelling railroads to allow anybody to load wheat at their regular stopping places; to furnish anybody a car who applies for it to load wheat in at their regular stopping places. That is another provision of the law.

Senator HARRIS. Does that require that the person wanting the car shall load the car?

Mr. MEYER. Yes, sir; within twenty-four hours after the car is furnished them. And also there is a provision there that he shall pay \$5 advance on the car, so that if he fails to load it the railroad has the advantage of that amount. In general terms it also says that they shall not practice extortion or unjust discrimination. We attempted to get the long and short haul into that bill, but the senate was very much opposed to it and defeated the house. The house was in favor of the short-haul law.

Senator PLATT. You have your law against unjust discriminations?

Mr. MEYER. Yes, sir; in general terms.

Senator PLATT. You have your law against preferences?

Mr. MEYER. Yes, sir.

Senator PLATT. And you have your commission?

Mr. MEYER. Yes, sir.

#### THE LONG AND SHORT HAUL.

Senator PLATT. Now, in relation to the long and short haul, suppose complaint were made to the commission that those constituted either unjust discrimination or improper preference; do you think the commission could deal with that question as well as it could have been regulated by statute?

Mr. MEYER. No, sir, I do not; for this reason: I was very much in favor of making the law like this—legislate against unjust discrimination, and then define what constituted unjust discrimination in the law. We have not done that, and it will be left to the court to decide what constitutes unjust discrimination. Still, I believe that the commission can deal with it, and give us a great deal of relief from the oppression from which we have been suffering.



The CHAIRMAN. You say you would have provided to have had unjust discrimination defined in the statute?

Mr. MEYER. Yes, sir.

The CHAIRMAN. Can you define it now?

Mr. MEYER. Yes, sir. I should say that if the railroads charged more per car-load to one man than they did to another from the same point, under like circumstances, they were unjustly discriminating against that man. I should say that if they charged more for hauling a car-load of grain to Hastings than they did to Saint Paul, 20 miles farther on the line, that that was unjust discrimination.

The CHAIRMAN. Between places?

Mr. MEYER. Between places, though they are between individuals, you understand. There are other definitions of that character coming in there that might guard the common-law privileges that the people now have. I would put nothing but a common-law privilege in there in making my definition.

COMMISSIONERS' FINDINGS PRIMA FACIE EVIDENCE OF CORRECTNESS.

Senator PLATT. I do not see in this act anything to the effect that the findings of the railroad commissioners in case of a suit shall be *prima facie* evidence either of the facts or of the reasonableness of them.

Mr. MEYER. There is no such clause in it.

Senator PLATT. Suppose that were in it?

Mr. MEYER. It would be a great advantage. We wanted it in, but we could not get it in. We had to do this year with what we could get.

The CHAIRMAN. Suppose a law were passed providing for a commission, and providing against extortion and unjust discriminations and rebates and drawbacks, and then giving the commissioners power to investigate any controversy that might exist between a shipper and a transportation company, with the power to make a finding of what, in their judgment, was right, and to announce that finding to the transportation companies and to the complainant; and then, if the transportation company did not obey, and did not submit to the finding and settle accordingly, to turn the whole case over to the district attorney?

Mr. MEYER. That is precisely our law. There is perhaps an old law that was passed before this, all the provisions of which may not be in here; but that is just precisely the law that we have here now.

The CHAIRMAN. Would not that be going a long way, in its enforcement, towards the relief that you think you are entitled to?

Mr. MEYER. We think we are going to obtain it, but we have not had the opportunity of testing it.

The CHAIRMAN. You have not got that far along toward the execution of it?

Mr. MEYER. We have not got that far along; no, sir.

Senator PLATT. What was the objection in the legislature to making the findings of the railroad commissioners *prima facie* evidence in the case of a suit?

Mr. MEYER. I really do not recall now just what they were. There was a general fight made first to keep out as much as they could. The idea of the legislature was this: They seemed to think that the rural element, or the producing element, were inclined to cripple the roads. There seemed to be a feeling of that kind in the legislature. And consequently there was opposition. It sprung up, based on the idea of keeping as many restrictions as possible out of the law. That is the form that it finally took. In the general fight that took place that was ruled out.

## A NATIONAL COMMISSION IN CONJUNCTION WITH STATE COMMISSIONS.

We feel further on this subject that we ought to have a national commission to act in conjunction with our State commission. We think that the most beneficial results would arise from it.

The CHAIRMAN. That is the feeling among the agricultural people, the alliances and granges?

Mr. MEYER. Yes, sir, the common, small farmers; that is the feeling.

Senator PLATT. Suppose you were going to have national legislation and a commission, would you try to cover the whole ground in the first statute, or would you go rather slow in that respect?

Mr. MEYER. I would not want any hasty legislation on the subject. We do not want to cripple our transportation interests at all. We regard them as a necessity of our development, and we do not want any steps taken that would cripple them at all. But we think they can be conducted on fair and equitable principles, so that justice can be meted out to us, and yet the transportation lines be prosperous.

Senator PLATT. In other words, you think it would be wise to adopt such legislation as we see clearly we ought to adopt and leave doubtful questions for further consideration and the development of the system?

Mr. MEYER. Yes, sir; to a large extent. This would be my idea: I would embody as nearly as I could the common law regulations on the subject in the statute. As far as I could do that I would do it in such a manner as not to cripple the roads, you understand, and yet to protect the rights of the people. You take these people through the country, and they are exceedingly apprehensive. They have suffered so much in this direction that they feel that their rights and privileges are going to pass away from them, and that these roads are going to absolutely absorb all their earnings.

## DANGEROUS SENTIMENT AGAINST LARGE CORPORATIONS.

Senator PLATT. Do you not think the results of moderate legislation and an honest commission would be to bring the people and the railroads somewhat nearer together?

Mr. MEYER. I do not think there is any shadow of doubt about it.

Senator PLATT. Do you not think that is a very desirable thing?

Mr. MEYER. Very. There is nothing that is more dangerous than this sentiment that is springing up about the country against these large corporations. The people are absolutely feeling that their rights are being jeopardized; and there is an idea taking possession of them that unless there are some steps taken to mitigate or regulate the condition of things in some way a feeling will spring up that will be dangerous at times. If there were a failure of the crops the people might become violent.

Senator PLATT. Do you think that sentiment would be satisfied with what the people might think was moderate legislation; or would they want Congress to go to an extreme length?

Mr. MEYER. I do not think they would ask for extremes at all. I think moderate legislation would largely satisfy them. The trouble is there has been no legislation taken at all. And they feel that their rights are not taken care of; that there is no attention paid to their interests. But let them see that there is an effort being made to regulate the matter, and to protect their rights, and they are patient. There is no better set of people in the country, if they feel that there is an honest effort being made to protect their interests.

## N. P. HAUGEN'S STATEMENT.

N. P. HAUGEN, of River Falls, Wis., railroad commissioner of the State of Wisconsin, appeared.

The CHAIRMAN. Where do you reside?

Mr. HAUGEN. At River Falls, about 30 miles from here. I spend most of my time at present in Madison, Wis., however.

The CHAIRMAN. Are you at present State railroad commissioner?

Mr. HAUGEN. Yes, sir.

The CHAIRMAN. Let us know what is the situation of affairs in your State, and what you are doing there to remedy any of the evils that may exist.

## THE WISCONSIN RAILROAD LAW.

Mr. HAUGEN. The Wisconsin law provides, in general terms, against discrimination and extortion. Not by using the word "discrimination," however. It provides that railroads shall charge one person or company no more than any other person or corporation for the same service. And then afterwards it refers to the provision as "discrimination." The commission has no absolute powers.

The CHAIRMAN. What are the powers?

Mr. HAUGEN. Advisory powers.

The CHAIRMAN. Have you a board of three commissioners?

Mr. HAUGEN. No, sir; one commissioner.

The CHAIRMAN. And you are the one?

Mr. HAUGEN. Yes, sir. The law provides that when any complaint is lodged with the commissioner he shall go on and investigate it, and if he finds the complaint well founded he shall report the facts to the attorney-general, who shall prosecute at the expense of the State for the benefit of the party aggrieved.

The CHAIRMAN. How long have you been in office?

Mr. HAUGEN. Three years.

The CHAIRMAN. It was alleged here this morning that you had not been doing much good?

Mr. HAUGEN. I am not the judge of that, probably.

The CHAIRMAN. What is the fact?

Mr. HAUGEN. There are not many complaints lodged with me; very few. Those that have been lodged with me have been arranged satisfactorily to the parties.

The CHAIRMAN. Are you regarded by the people as an officer to settle disputes between railroads and the people?

Mr. HAUGEN. I think so; I have been informed by my deputy, who has been in office nine years, that there have been more complaints lodged with me than with my predecessors.

Senator HARRIS. About how many complaints are lodged with you per year?

Mr. HAUGEN. Not to exceed fifteen or twenty.

Senator HARRIS. Do you mean fifteen or twenty a year, or during your time?

Mr. HAUGEN. A year. That is, growing out of shipments. There have been complaints lodged with me in regard to crossings and matters of that kind.

Senator HARRIS. As to the physical condition of the road?

Mr. HAUGEN. Yes, sir.

## ACTION OF THE COMMISSIONER AS TO COMPLAINTS.

Senator HARRIS. In those controversies between shippers and the common carriers, when complaints have been made, what is the first step you take?

Mr. HAUGEN. I notify the company, and in the majority of instances they arrange with the shipper.

Senator HARRIS. They arrange it with the shipper without your going further?

Mr. HAUGEN. Yes, sir.

Senator HARRIS. Where you have to investigate, you hear the whole case and arrive at your conclusion?

Mr. HAUGEN. Yes, sir.

Senator HARRIS. And report your conclusions to both sides?

Mr. HAUGEN. Yes, sir; I do that.

Senator HARRIS. Have the railroads, when you have decided that there was just cause of complaint, acquiesced in your decision, and conformed to it?

Mr. HAUGEN. I have never gone that far, because it has always been adjusted before I got that far. The fact is that since the establishment of the commission there has never been a case reported to the attorney-general in Wisconsin.

## MAXIMUM RATES IN WISCONSIN.

The CHAIRMAN. Let me see if I cannot find one reason for that. Does the law fix any rates?

Mr. HAUGEN. The law fixes rates on two railroads of the State; that is, maximum rates.

The CHAIRMAN. And no other?

Mr. HAUGEN. No, sir; no other.

The CHAIRMAN. My understanding has been that the law provided that the rates that existed in a given year should be the rates?

Mr. HAUGEN. That is to say, it applies to only two companies at present.

The CHAIRMAN. It legalized whatever discrimination existed in these two roads at the time?

Mr. HAUGEN. Yes, sir.

The CHAIRMAN. So that you had no power to interfere with it?

Mr. HAUGEN. No, sir.

Senator HARRIS. How is it that it applies to only two roads? Were those the only two roads in operation in the State when the commission was created?

Mr. HAUGEN. No, sir; there were three roads at first, but it applies only to two. It applied to two roads by name, as it was considered they were more able to stand legislation than the new roads. The other roads in the State were just being built at that time, and they were excepted from the general legislation.

## DISCRIMINATIONS BETWEEN PLACES.

The CHAIRMAN. Do you know of any discrimination between places in this State?

Mr. HAUGEN. Yes, sir; I hear of them.

The CHAIRMAN. What do you do when you hear of them?

Mr. HAUGEN. The law does not apply to places; that has been the

construction that has been given to it from the start. It simply provides that the company shall charge one person, company, or corporation no more than it does to another company, person, or corporation for the same service.

The CHAIRMAN. It applies to persons?

Mr. HAUGEN. Yes, sir; to persons and not to places.

The CHAIRMAN. So that under the law, as it is construed, a railroad company can charge \$10 a car from one point to another point, and then \$12 for a car from a nearer point to the first place?

Mr. HAUGEN. That is the effect of it at present. I will say that I have never been called upon to construe that law; but it has been the received construction before I came into the office.

The CHAIRMAN. Is it not your business to go around over the State and see what is going on, and prosecute where you find anything going wrong?

Mr. HAUGEN. No, sir; I do not think it is. The law provides that in order to set me going they must complain of wrong.

#### PUBLIC SENTIMENT MODIFIED.

The CHAIRMAN. What is the feeling in your own State with reference to railroad companies?

Mr. HAUGEN. I think the feeling is better than it was when the first law creating a commission was established. We had three commissioners in Wisconsin. The law under which they were appointed was enacted in 1874. At that time the granger feeling, so-called, ran very high, and the result of it was that a commission was established. The commission of three continued for two years, and at that time the law was amended and a great deal of the power of the commission was taken away, and the commission was reduced to one.

The CHAIRMAN. How did that happen? What caused the change of feeling?

Mr. HAUGEN. I think probably somewhat of a reaction took place; and then probably it was somewhat the result of hard times at that time; the depressed condition of affairs.

The CHAIRMAN. You heard all that your neighbor here said this morning; have you any answer to make to any of the statements made by him?

#### EFFECT OF MISSISSIPPI RIVER COMPETITION.

Mr. HAUGEN. There are complaints made at points such as he speaks of—at Hammond and Baldwin. I do not think there is so much complaint of charge *per se* as of the railroads. I think that is generally the fact; and it is the smaller shippers and business men that generally complain. There was some statement made by some gentleman here in regard to the charge to Hastings. As I understand it, the charges to Hastings and to all points on the Mississippi River, from Chicago toward Saint Paul, above Winona, are the same as they are through to Saint Paul. Those charges are probably established somewhat by the river rates, because those points are all on the river; but when they get back into Wisconsin on the parallel line, some distance back from the river, the rates are graded back to Saint Paul, so that the nearer you get to Saint Paul the less the rate; and they charge approximately, I think, quite a good cost to carry stuff to Saint Paul and back again to those local points. It is on a small scale, the same as the Union and Central Pacific do, carry stuff from San Francisco and back. I think

the rate on stock has been, from Chicago to Baldwin, some \$16 or \$18 more a car than from Saint Paul.

Senator HARRIS. That being the rate through to Saint Paul and back to the point?

Mr. HAUGEN. Nearly that, I think. These points on the river down through Minnesota here do not suffer in that way, because the river rate fixes the rate at the local point the same as to Saint Paul.

#### PUBLICITY OF RATES AND NOTICE OF CHANGE.

The CHAIRMAN. Is there anything further?

Mr. HAUGEN. I might say that I think that some law ought to be enacted by Congress under which the rate ought to be published. There was another matter that I would like to comment upon a little, and that was, where a road engaged in interstate traffic would come into competition with a road purely within the State. That question came up in the legislature in Wisconsin last winter, in regard to the publication of rates, and the Northwestern Company came in and said they could not stand that. They would be willing, if they had to compete only with State railroads, to have the legislature enact a law requiring ten days' notice before the rates could be changed; but they stated that here along the Mississippi River is a line of road that runs from Chicago and through Illinois to the western bank of the Mississippi River; that they came in competition with that line, and that that line could reduce their rates instantly without giving notice, while the Northwestern would be tied up for ten days. It would destroy their business. To-day I have heard the other side of it.

#### DISCRIMINATIONS BETWEEN PLACES.

The CHAIRMAN. As a matter of fact, as I understand it, there are discriminations between places in your State?

Mr. HAUGEN. Yes, sir.

The CHAIRMAN. So that people in one locality nearer a market are charged more in some instances than are those farther from that place?

Mr. HAUGEN. I think that is a fact.

The CHAIRMAN. Would you be in favor of a law prohibiting a greater charge for a short than for a long haul?

#### THE LONG AND SHORT HAUL.

Mr. HAUGEN. That is a very difficult matter, probably, to settle satisfactorily; but my general impression has been that I should be in favor of such a law. Still I know there are objections to it. I think the general result would be good with such a law.

Senator PLATT. How is such a law going to help a point which is very near to the place of shipment? It helps a point which is nearer the place of delivery. That is, if it is between the middle of a road and the point of delivery, it helps that place, because they cannot charge any more to that place than they would clear through.

Mr. HAUGEN. I do not know that it would help that place. The question here is, what would produce the most general good?

#### THE CAR-LOAD THE UNIT OF SHIPMENT.

I think a car-load ought to be made a unit of freight for us. It seems to be generally the idea here that that ought to be so.

The CHAIRMAN. Do you think pooling ought to be prohibited?

Mr. HAUGEN. There would not be much occasion for prohibiting it if the traffic was controlled somewhat by legislation.

The CHAIRMAN. Should rebates be prohibited?

Mr. HAUGEN. Yes, sir; I think rebates ought to be prohibited. I can see no object in rebates unless it should be to discriminate.

Senator PLATT. Why should a car-load be made a unit of freight?

Mr. HAUGEN. It is the simplest unit to get at.

Senator PLATT. Suppose a man shipped copper ingots. Is there any reason in that case why the unit of freight should be the car-load?

Mr. HAUGEN. I think there ought to be some unit, and a car-load seems to be the best.

Senator PLATT. What reason is there for making a car-load a unit any more than 100 pounds?

Mr. HAUGEN. I think it is adopted by the railroad companies. What I mean by making a car-load a unit is that there shall be charged no more for a car where a person ships one car than where he ships one hundred.

Senator PLATT. If that rule holds good with reference to a car-load why does it not hold good with reference to 100 pounds?

Mr. HAUGEN. I think they should charge one person no more for shipping 100 pounds than they do to another person for shipping 100 pounds; but when you get to a car-load the hundred pounds weight is rather lost sight of.

Senator PLATT. Because the company must fill its car in order to do business profitably or cheaply?

Mr. HAUGEN. Yes, sir.

#### FREIGHT RATES IN WISCONSIN.

In a letter received by the chairman, dated at Madison, July 3, 1885, Commissioner Haugen supplements his testimony by the following statement:

Railroad men, and those who antagonize railroad legislation on the "let well enough alone" idea, are in the habit of referring to the general reduction in freight rates in support of the theory of non-interference, claiming that competition will correct all evils. The average rate per ton per mile on the two leading lines in this State has, for a series of years, been as follows:

Years.	Chicago, Milwaukee and Saint Paul.	Chicago & North-western.	Average on all lines.
	Cents.	Cents.	Cents.
1871	2.54	2.87	
1872	2.43	2.61	
1873	2.50	2.35	
1874	2.38	2.22	
1875	2.10	2.08	
1876	2.04	1.91	
1877	2.08	1.81	
1878	1.80	1.63	
1879	1.66	1.56	
1880	1.72	1.49	
1881	1.77	1.47	
1882	1.60	1.47	
1883:			
Whole line	1.43	1.42	1.52
Wisconsin	1.50	1.37	1.75
1884:			
Whole line	1.36	1.29	1.42
Wisconsin	1.44	1.20	1.44

NOTE.—Whole line only given, except 1883 and 1884.

That the above reduction is brought about largely by the low through rate is evident from the fact that in many instances the rates to local points are to-day just

the same as the rate established under the tariff of June 15, 1872, referred to before your committee at Saint Paul.

Madison, the State capital, is a notable example. The rate to this point from Milwaukee or Chicago on first-class goods is now 50 cents per hundred—the same as in 1872—and the companies added to that even by a rule of last winter 50 per cent. “unless marked at owner’s risk.” The order, however, was abandoned when attention was called to the statutory limitation. The local rate is not perceptibly affected by the general reduction, showing that competition, without the short and long haul clause added, affects comparatively few points.

The Chicago, Milwaukee and Saint Paul and the Chicago and Northwestern Railways have an agreement as to rates at Madison, which is maintained.

### GEORGE L. BECKER’S STATEMENT.

GEORGE L. BECKER, member of the board of railroad and warehouse commissioners of the State of Minnesota, appeared.

The CHAIRMAN. You are one of the railroad commissioners of this State?

Mr. BECKER. Yes, sir.

The CHAIRMAN. How long have you been in office?

Mr. BECKER. About two months.

The CHAIRMAN. Have any of the other gentlemen been in office any longer?

Mr. BECKER. General Baker has been a railroad commissioner for three years, I think.

The CHAIRMAN. Is he here?

Mr. BECKER. No; he is at Moorehead. I have a dispatch from him saying he could not get here.

The CHAIRMAN. Have you been in office long enough to become familiar with it?

### MINNESOTA RAILROAD AND WAREHOUSE LEGISLATION.

Mr. BECKER. I have some familiarity with the general subject.

The CHAIRMAN. You have been hearing men discuss it on all sides to-day? Let us hear what you have to say. First, speak of your own State, and its legislation, and the public sentiment, *et cetera*, and then give your general ideas on the subject.

Mr. BECKER. Here are some copies of our law. I do not know that it would be of any interest or profit to state what my experience in business has been.

A GENTLEMAN. He has been a railroad president for a long while.

Mr. BECKER. The legislature last winter enacted two laws which are rather radical in their terms, one of them regulating railroad companies and providing for the appointment by the governor of a board of three commissioners; the other regulating the inspection and weighing of grain in the State, and making the railroad commissioners also warehouse commissioners.

The CHAIRMAN. What was the law previously?

Mr. BECKER. The law previously, I imagine, was very much like the law under which the Wisconsin commissioners acted, rather general in its terms.

Senator HARRIS. Is the power of appointment unrestricted? That is, did your act require that an engineer should be appointed?

Mr. BECKER. No, sir, it did not. The only provision in it is that one of the commissioners should be of the leading opposite political party to the governor.



The CHAIRMAN. You are that party?

Mr. BECKER. I am supposed to be that party. These laws were the outgrowth of a very decided political sentiment in this State, not confined to either party. It was largely represented in the house of representatives. The senate was a body which held over. And both laws embodied some very radical changes in the manner in which business has been done heretofore.

#### GENERAL OUTLINE OF THE LAW.

The CHAIRMAN. Can you give us a general outline of the law as it was and as it is now?

Mr. BECKER. I have not before me the statute under which General Baker has heretofore acted, but I can state some of the changes which were made from the former law by looking over the act itself. The first change of any considerable importance was in section 10 of the law, which requires a particular examination of the railroads by the railroad commissioners. It requires that as often as once in three months the railroad commissioners, or some one of them, should visit every county in the State in which there is a railroad station, and it goes on to describe what that examination shall consist of.

Senator HARRIS. Is that the former act or the late act?

Mr. BECKER. The late act. The object of the act, I think, is to bring the commissioners very closely in contact with the people, with a view to hear what they may have to say either by way of complaint or otherwise.

The next clause gives the commissioners very full power and authority to examine the books and accounts of the railroad companies so far as they relate to the condition, operation, and management of the road. They have liberty at all times during business hours to examine these books and papers or to go into any of the offices of the company, the general offices or otherwise, for the purpose of conducting their examination. They also have full power to examine witnesses on any subject relating to railroads. This power is given by the next section. They may issue subpoenas, and in case their subpoenas are not obeyed they can apply to a judge of the district court of the Territory and have an attachment issue. The power is very complete and full in that respect. There is a penalty provided against witnesses who refuse to testify, and also a penalty against railroad companies who obstruct in any way the railroad commissioners in the exercise of their duties.

#### THE WAREHOUSE SECTION.

Then we come to section 15, another provision which embodies a very radical change. You heard something about the monopoly of elevators here given by a railroad company. This provides that any railroad company organized under the laws of this State shall, upon application, permit any person, company, or corporation, for an annual rental of \$1, to construct, maintain, and operate any elevator or warehouse at any of its regular or way stations, and so on. That is, without regard to the capacity of the elevator. It may be a flat warehouse holding only 1,000 bushels, or it may be an elevator holding over 50,000 bushels.

The CHAIRMAN. What was the reason assigned by the railroad companies for adopting a policy that would prohibit the building of more than one elevator at a station?

Mr. BECKER. Different reasons were given. One reason that was

given was that the company desired to have elevators built by none but responsible parties; parties who, when they entered into obligations to store grain, would be responsible to the parties who stored it for the delivery of the grain. Putting the elevators into the hands of responsible parties has been their view.

The CHAIRMAN. Do you think they had no other purpose in view than that; was it to prevent the building of too many switches, or anything of that kind?

Mr. BECKER. It is very difficult to say what has been the ultimate purpose of the railroad companies. I think that has been the excuse more generally given. This law has done away with that system altogether and permits anybody, for a nominal rental, to construct a warehouse of any sort at any station on the land of the company.

The CHAIRMAN. And requires the company to build a switch to it?

#### THE RIGHT TO CARS UPON APPLICATION.

Mr. BECKER. If the railroad company has not got a switch to it, it provides that they shall construct a side-track. There are some conditions, as that the elevators and warehouses shall not be constructed within 100 feet of any structure, and shall be at a safe fire distance, &c.

The next provision is also regarded as a very important provision by the legislature. That requires railroad companies, upon reasonable demand, to furnish transportation for all grain stored in such elevators and warehouses. And it requires the company to keep at each station a register of the applications made for cars and their order, every man being served in his turn without discrimination, so that under that provision of the law, for the first time in this State, railroads have now provided at their stations a register open to inspection, and any man who desires a car for the transportation of grain goes to the station and files his application.

The CHAIRMAN. And he gets his car in the order in which his application is filed?

Mr. BECKER. Yes, sir; he is treated in that order. The law in this respect is a little singular. In all controversies in regard to the furnishing of cars, the burden of proof shall rest on the company or corporation seeking to excuse itself for its neglect to furnish the cars.

The CHAIRMAN. It is not worth while to go through each section of the law if all this book contains is the railroad law.

Mr. BECKER. It is only the first fifteen pages of this book.

#### POWERS AND DUTIES OF MINNESOTA COMMISSIONERS.

The CHAIRMAN. We will probably make a synopsis of the laws of all the States. It is sufficient for our purpose to state substantially what the powers and duties of your commissioners are under the law.

Mr. BECKER. You refer now more particularly to the railway law, without much reference to the grain law. That is a separate law. Our duties as railroad commissioners is the point to which you direct your inquiries.

The CHAIRMAN. Yes, sir.

Mr. BECKER. There is a provision against unjust discrimination as to passengers or freight rates. There is also that provision that no railroad company shall charge or receive from any person a higher rate per ton per mile for one car-load of freight than for a greater number of car-loads, per car, under like conditions and circumstances, making a

car-load a unit. Then, whenever there is any violation of the law, in the judgment of the commissioners, they are instructed to report the violation to the attorney-general, and he, in the name of the State, is to initiate and carry on the prosecution at the expense of the State.

The CHAIRMAN. Have you got fairly to work under the law since your appointment?

#### DUTIES UNDER THE WAREHOUSE SECTION.

Mr. BECKER. Hardly. Our attention has been more taken up with the other law than with the railway law.

The CHAIRMAN. The grain law?

Mr. BECKER. Yes, sir; that requires our more immediate attention.

The CHAIRMAN. In what particulars are you called upon to give attention to that law?

Mr. BECKER. Our first duty is to appoint State inspectors and weigh-masters and to fix grades of grain and provide for the licensing of public warehouses, and the rules and regulations to govern them.

The CHAIRMAN. As to all these various warehouses scattered along the railroads?

Mr. BECKER. No, sir; only at the principal points—Saint Paul, Minneapolis, and Duluth—and public warehouses. We have nothing to do with private warehouses, except that the law gives us a general supervision of the grain trade of the State and authorizes and directs us to inquire into all abuses and complaints of every kind with reference to it.

The CHAIRMAN. Your grain law in reference to warehouses is somewhat patterned after the law of Illinois?

Mr. BECKER. Very much after the Illinois law.

Senator HARRIS. As railroad commissioners, you are required to take cognizance of all complaints made to you?

Mr. BECKER. Yes, sir.

Senator HARRIS. Have you examined the records of the railroad commissioners of this State some years back, so that you can answer as to the public complaints made against the transportation companies of Minnesota?

Mr. BECKER. I cannot give you that information so that it will be reliable, but the secretary of the commission is here. He has been secretary for one or two years, and he can give you, perhaps, that information. We have received quite a number of complaints under this law. Perhaps we have received, in the two months we have been here, fifteen or twenty complaints.

Senator HARRIS. What is your information as to the result heretofore, when complaints have been made, and the commission has investigated and arrived at conclusions and announced them? Have the people and the railroad companies, as a general rule, acquiesced in the decision?

Mr. BECKER. I think they have; yes, sir.

Senator HARRIS. And there has been little or no litigation springing up?

Mr. BECKER. Very little.

The CHAIRMAN. Has the attorney-general any suits on hand now?

Mr. BECKER. No, sir; this law has only been in operation since the commission has been appointed.

The CHAIRMAN. Before this last law was passed he had nothing to do with it?

Mr. BECKER. No, sir.

## A NATIONAL COMMISSION.

The CHAIRMAN. What is your judgment now, from your experience as a citizen and as a railroad commissioner and railroad man (for I understand you have been a railroad man heretofore), as to whether Congress ought to do anything; and, if so, what?

Mr. BECKER. I have no doubt myself that it would be a wise policy for Congress to pass a law providing for a commission to take charge of interstate commerce.

The CHAIRMAN. What powers would you give it?

Mr. BECKER. I should give them pretty full power, if I had anything to do with the framing of the law.

The CHAIRMAN. Power to investigate and make a finding?

Mr. BECKER. To investigate and make a finding and report.

The CHAIRMAN. And make their finding *prima facie* evidence of the correctness of the charge?

Mr. BECKER. Yes, sir; and authorize them to employ the legal department of the Government to prosecute, or to find a way to carry out their decisions, and at the expense of the Government.

The CHAIRMAN. Is it or not your observation that the great thing necessary is to have some intermediate authority between the people and the transportation companies, to listen to and to bring parties together, and settle the difficulties that exist?

## EDUCATING INFLUENCE OF COMMISSIONS.

Mr. BECKER. I have no doubt of it. I have no doubt that this commission here is going to do not only for the railroad companies, but for the people of the State, a great work. I believe that it is going to do a work in the way of educating the people of the State as well as restraining the railroad companies. There are a great many complaints under the law that are trivial and are not well founded; but nevertheless they are complaints, and they constitute grievances. And until the party who makes the complaint or grievance is informed fully on the subject as to what his rights may be, or what the rights of the railroad company are, it is a complaint or grievance; and oftentimes those complaints or grievances can be done away with by a fair representation to the party complaining. So that I say the commission itself is an educator of the people, as well as a restraining power upon the corporation.

## PUBLICITY OF RATES AND NOTICE OF CHANGE.

Senator HARRIS. Upon the subject of rates, do you think the law ought to require rates to be published?

Mr. BECKER. I do; yes, sir.

Senator HARRIS. And not changed without a reasonable notice?

Mr. BECKER. And not changed without reasonable notice.

Senator HARRIS. About what do you think would be a reasonable notice?

Mr. BECKER. Thirty days has been mentioned here. It seems to me to be a reasonable time.

## POOLING.

Senator HARRIS. Do you think pooling should be prohibited by law?

Mr. BECKER. I do; unless, as has been suggested here, the Government is represented in the pool by some agent or representative.

Senator HARRIS. If a railroad commission is created, and any pool contract exists, would you require that it should have the approval of the commission, or of some such tribunal?

Mr. BECKER. Yes, sir; I think the corporations need to be restrained in that way.

## REBATES.

Senator HARRIS. What do you think as to forbidding or recognizing the practice of rebates?

Mr. BECKER. I think they should be positively forbidden.

Senator HARRIS. And the long and short haul?

## THE LONG AND SHORT HAUL.

Mr. BECKER. My view upon that is substantially this: Corporations are created by the Government, and they have received from the Government great powers. They have the right of eminent domain, almost, in admitting the right of way. I think they also have great duties to perform, and I think the Government should see that those duties are performed, and performed with equal and exact justice to every one. I have very radical views upon that subject. I do not think the complaint is so much about high rates as it is about discriminating rates. It is supposed that one man has advantages that other men have not, or that one place has advantages that other places have not; but, more particularly, it relates to persons. My belief is that the establishment of freight rates, and the collection of freights, is in the nature of a tax levied by the Government, and it ought to be made nearly as equal as possible.

Senator HARRIS. Do you think it would be politic and just to prohibit a transportation company from charging a greater sum in the aggregate for a short than for a long haul?

Mr. BECKER. I do; I cannot conceive a case where it is right to charge more for a short haul than for a long one.

The CHAIRMAN. I am told you have run a railroad, or you were president of a railroad?

Mr. BECKER. Yes, sir; I have listened to what Mr. Drake said on the subject, and listened to him with great interest; but I cannot agree with him. My own impression is, that if the business of a corporation cannot be carried on so as to deal out equal justice to all its patrons, the sooner that corporation, and the men who manage it, go to the wall the better for the business of the country.

Senator HARRIS. If the company were prohibited from charging a greater sum for the short than for the long haul, would it not have a very decided tendency to prevent these railroad wars that are had at competing points?

Mr. BECKER. Undoubtedly it would.

The CHAIRMAN. In your management of a railroad did you ever find, as a fact, that it costs more, including the terminal charges of course, and getting your cars together, to haul a car, or a given quantity of freight, 75 miles than it did 100?

Mr. BECKER. I do not think I found that it cost more to do it.

The CHAIRMAN. I do not mean simply the hauling of the car.

Mr. BECKER. There may be circumstances under which it would be more profitable to take the car through the 100 miles and load it and come back. My belief is that that is one of the expenses of the busi-

ness which the company ought to carry and ought not to charge upon its patrons. That is the point I want to get at.

Senator HARRIS. If there be a difference it would be very trivial.

Mr. BECKER. Yes, and the company should bear it out of its revenues rather than charge it to an individual.

#### FIERCENESS OF PUBLIC SENTIMENT AS TO RAILROADS.

The CHAIRMAN. You think there is a better feeling in this State than there was years ago?

Mr. BECKER. I wish to say in reference to that that I have been out for the last two months among the people of the State, and I do not believe that the railroad men of the State or the people of this State realize the feeling there is in the country with reference to railroads. And I wish to say that if it were not for the idea, which we are endeavoring to promulgate among the people of the country, that there is some remedy in this law, it would grow to a point of fierceness that would be somewhat alarming and troublesome.

The CHAIRMAN. You mean in this State?

Mr. BECKER. Yes, sir; if they did not believe that there was some remedy in this law for the evils of which they complain there would be a very unpleasant state of affairs.

The CHAIRMAN. They are at this time expecting that you will remedy the evils?

Mr. BECKER. Yes, sir; they expect we will remedy the evils, and my belief is if this commission turns out to be as the gentleman from Hudson says, "worse than useless," it will be very bad for the gentlemen who compose the commission. But the commission will remain, and men will be found who will execute these duties, I have no doubt.

#### POWER OF COMMISSION TO DO GOOD.

The CHAIRMAN. So you are a believer in the power of the commission to do good?

Mr. BECKER. I am; yes, sir.

The CHAIRMAN. Do you anticipate that you are going to be able to do it yourselves?

Mr. BECKER. I believe so; yes, sir.

#### UNIFORM CLASSIFICATIONS.

The CHAIRMAN. Do you know any reason why there should not be uniform classifications of freights?

Mr. BECKER. I think there should be. I do not know whether railroad companies would regard it as unfortunate or not, but I am sure, in the interests of the people, there should be a uniform classification of freights.

The CHAIRMAN. Is there any insurmountable or serious difficulty in having it so?

Mr. BECKER. I do not know of any.

The CHAIRMAN. As a railroad man I ask you that question.

Mr. BECKER. I do not know of any. I do not see why there should be one classification from Chicago to New York, and another from Chicago to Saint Paul, and another from Saint Paul west.

Mr. BLAKELEY. State whether or not, as a railroad man, you have found difficulties arise between railroads in regard to business, because of the difference in classification.

Mr. BECKER. Yes, sir; undoubtedly.

The CHAIRMAN. I believe you already expressed yourself on the subject of rebates?

Mr. BECKER. Yes, sir.

#### UNIFORM BILL OF LADING.

Senator HARRIS. Do you think there should be a uniform bill of lading, as well as a uniform classification?

Mr. BECKER. Yes, sir; and with as few conditions as possible. In other words, I think common carriers should be held to the requirements of the common law; and I think they should not be permitted, by conditions and clauses printed in their bills of lading, to escape or avoid them.

Senator HARRIS. You mean they should not be permitted to relieve themselves of their common-law liability as common carriers?

Mr. BECKER. No, sir.

The CHAIRMAN. Is there any other point you wanted to mention?

Mr. BECKER. No, sir; I did not intend to present any on the subject. I came merely to answer such questions as you might put to me. That pamphlet that you have there is one that the commission has been compiling, and it embraces all the railroad legislation of this State, with a very copious index; and contains also the present laws.

Senator HARRIS. It is a compilation of the railroad laws?

Mr. BECKER. Yes, sir; it is a compilation of the railroad laws.

#### E. S. WARNER'S STATEMENT.

E. S. WARNER, secretary of the board of railroad and warehouse commissioners of Minnesota, appeared.

Senator HARRIS. How long have you been secretary of the railroad commission of this State?

Mr. WARNER. About three years.

Senator HARRIS. About how many complaints have been lodged with the railroad commission per annum, during the whole time that you have been secretary?

Mr. WARNER. The first year there were thirty-six; the second year some sixty odd, and the third year, up to the time this commission commenced to operate, there were only about sixteen. I think the reason for there not being more complaints for the third year was that almost universally the answer that the office had to give them was that we had investigated it, and that the railroads refused to do any different from what they had written to the parties making the complaint. So of course the complaints fell off the third year.

Senator HARRIS. As to the complaints lodged during these different years from the commissioners, were they all investigated by the commissioners?

Mr. WARNER. Yes, sir; they were. Every complaint is on file. It was looked up and the companies requested to look at the complaint. A part of the time they complied with the request, and a part of the time they did not.

The CHAIRMAN. Who looked at the complaint? Was there only one commissioner?

Mr. WARNER. Yes, sir; up to the formation of this commission.

Senator HARRIS. Upon a complaint being filed with the commis-

sioner, did he send a copy of that complaint to the railroad company complained of?

Mr. WARNER. He did; he generally took the complaint and sent it with his comments on it, asking for a reply, with the return of the papers, and a copy was put in a letter-book to that effect.

Senator HARRIS. Did the railroad companies generally answer?

Mr. WARNER. They always answered; yes, sir.

Senator HARRIS. Then did he go on and investigate, so as to ascertain the exact facts of the case?

Mr. WARNER. He did.

Senator HARRIS. And arrived at his conclusion?

Mr. WARNER. Yes, sir.

Senator HARRIS. And announced it to the complainant and the railroad company?

Mr. WARNER. Yes, sir.

Senator HARRIS. And when his conclusion was adverse to the railroad company, what was the action of the railroad company?

Mr. WARNER. It would be owing somewhat to the complaint; how much it involved, and what the principle was. If it was a trivial affair it was almost always adjusted. If it involved a principle, or was contrary to their rules and regulations, or if it involved anything of any amount, it was almost universally not acquiesced in.

Senator HARRIS. And there the matter ended?

Mr. WARNER. Yes, sir. There was no way under the old law whereby he could bring a suit. This commission has this advantage; they can bring a suit. But he could simply refer the parties to a way in which they might proceed. The trouble was that the parties could not hold an action against the railroad companies.

The CHAIRMAN. They were left to their own resources after the commissioners found out what the trouble was?

Mr. WARNER. Yes, sir.

Senator HARRIS. As a general rule, or invariably, the citizen concluded that he could not afford to litigate with the railroad company?

Mr. WARNER. Yes, sir. Sometimes he would write back and think that the commissioner did not amount to much, and we had better have something else.

Senator HARRIS. But, as a matter of fact, did the parties generally sue, or did any of them sue?

Mr. WARNER. I know of but two suits; both of those parties won. I have a letter on file now from a man up on the Northern Pacific. The expense of the litigation was, I think, three times what he gained from the company.

### J. W. McCLUNG'S STATEMENT.

J. W. McCLUNG, representative of the Chamber of Commerce of Saint Paul, appeared.

The CHAIRMAN. What is your business?

Mr. McCLUNG. I am in the real estate business.

The CHAIRMAN. What have you to say about the subject under investigation by the committee?

Mr. McCLUNG. I am not a shipper or a railroad man; and I have not very much to say. I shall be very short.

The CHAIRMAN. You take to water?

Mr. McCLUNG. I go to water entirely.



The CHAIRMAN. Let us hear you on that practical subject?

Mr. McCLUNG. On the subject of water the statements of Captain Blakeley and Mr. Dalrymple express my views—that if the waterways of the country were improved it would very largely tend to produce the entire solution of the question. I would not care to repeat all that those gentlemen said. I agree in the main with Mr. Meyer and Mr. Dalrymple and General Becker.

#### NATIONAL AND STATE COMMISSIONS TO CO-OPERATE.

The CHAIRMAN. In reference to Congressional legislation?

Mr. McCLUNG. Yes, sir; I think you need a Congressional commission to co-operate with all the other State commissions. Otherwise the State commissions cannot do much, except within their limits; and they are fruitless without a national commission to co-operate. I think railroad companies should be restricted to their correct and proper duties as carriers, and should not be allowed to be buyers of wheat. I think a great deal of the evils complained of, the most of them, result from the monopoly by them of these elevators in such a way as to make them merchants instead of carriers. If you remove that you remove a great deal of the evil complained of.

The CHAIRMAN. You understand that the railroad corporations, or the men composing them, in this State are engaged in outside enterprises, such as buying wheat, and owning elevators, and so on?

Mr. McCLUNG. I do not say that they do it directly; but I have been informed, and have the best reasons for believing, that they do it indirectly. I will state even further that if you had the waterways improved you would still need the commission. I lived here in 1855, and we had a big war at that time against the steamboat monopolies. The steamboat owners bought up all the wheat wherever they could reach it, and fixed rates, just as the railroad companies do now, and needed as much restraining as the railroads do now.

The CHAIRMAN. How about it now?

Mr. McCLUNG. The railroads fight them now, and it makes competition. If you abolish pooling they would be afraid of each other.

#### REGULATING WATERWAYS AS WELL AS RAILWAYS.

The CHAIRMAN. Suppose we were to pass a law regulating commerce between the States, should that apply to steamboats in the lakes and rivers?

Mr. McCLUNG. I have not considered that subject. We had the same trouble with steamboats before we had railroads. They fixed the rates for our wheat just as the railroads of the State of New York to-day make the pools and fix what tax we have to pay in the shape of rates, which are four times as much as our State taxes. It is the power of taxation without representation, unless you give us this commission.

#### PUBLICITY OF RATES AND NOTICE OF CHANGE.

Senator HARRIS. If railroad companies should be required by law to publish their rates and to adhere to them until, after reasonable notice, they are changed, do you not think that the rates of the boats should also be required to be published and adhered to until changed, with a similar notice?

Mr. McCLUNG. I think they need the same restraint as the railroads.

Senator HARRIS. If Congress regulates the one it ought to regulate the other?

Mr. McCLUNG. Yes, sir; they have the same chance as the railroads.

The CHAIRMAN. Do these lines of boats running from Duluth have any railroad connection?

Mr. McCLUNG. I have no knowledge on that subject.

The CHAIRMAN. As a matter of fact, between Buffalo and Chicago the different railroad lines seem to control boat lines?

Mr. McCLUNG. I have no doubt it is all one thing from the beginning to the end. That is about all I cared about saying.

The CHAIRMAN. You agree substantially with Mr. Meyer and Mr. Dalrymple in reference to those matters?

Mr. McCLUNG. Yes, sir. I think there should be some power to which the farmers could present their grievances; and as a general rule there would be no necessity for a prosecution unless they had such a tribunal. The matter would regulate itself unless the railroads could ascertain that they could not act with impunity in the way they have acted. At the same time I do not wish to say that I represent any granger sentiment upon this subject, so called, in the extreme matters. I think the railroads should be allowed a fair rate, so as to pay dividends upon legitimate business and upon their legitimate investments—not of water, but of actual money investments.

The CHAIRMAN. You want fair treatment all round?

Mr. McCLUNG. Yes, sir; I think the railroads are as much entitled to a commission as the farmers, and it would be better for them. It would give better satisfaction, and there would be less quarreling among themselves, and probably in the end it would be better for all.

The CHAIRMAN. You think if the commission were properly constituted, with reasonable authority, it would tend to bring the railroads and the people together?

Mr. McCLUNG. Yes, sir; I have no doubt it would harmonize the differences.

The CHAIRMAN. There would be less complaint in the transaction of business?

#### IMMEDIATE IMPROVEMENT OF THE MISSISSIPPI.

Mr. McCLUNG. Yes, sir; the only wonder to me is that Congress has not long since attended to this matter. It is a wonder to me that they do not attend to the Mississippi River and the lakes.

The CHAIRMAN. We have been spending some money on the rivers.

Mr. McCLUNG. Yes, sir; but you might as well do it all at once as to lengthen it out over fifty years or twenty years, if it is necessary to do it at all.

The CHAIRMAN. At any rate you think the Government ought to do whatever is necessary to keep the Mississippi River navigable and keep the rivers and lakes in order?

Mr. McCLUNG. Yes, sir; if there were sufficient depth of water here we would have very few complaints from railroads. The barges would come here and regulate the freights of railroads, and save millions of dollars to the State.

The CHAIRMAN. It is said by Mr. Fink that the rates on the lakes control the rates of transportation from Chicago to New Orleans in a measure.

Mr. McCLUNG. Since they have got the barge business established at Saint Louis, the railroads have had to conform to their rates. It is saving

all that country millions of dollars. If it would save any such difference as Mr. Dalrymple mentions here, between 1 mill and 1 cent per ton per mile, you can imagine what it would be on 40,000,000 of bushels. A difference of 10 cents a bushel would be \$4,000,000 on that alone. That is besides the return freight.

### F. R. DELANO'S STATEMENT.

F. R. DELANO, railroad constructor and operator, appeared and said. I have been a railroad operator for fifteen or twenty years.

### COMPLAINTS AGAINST CORPORATIONS UNIVERSAL.

I think, to tell a short story, that Congress, in entering into this arrangement of regulating railroads, as you might call it, has struck the worst job that they have had. They will find it so before they get through with it. I have been for years connected with railroads, and since the matter has come up through State intervention by its board of commissioners, &c., as to the grievances of the people, I will say that wherever you go in this or any State of the Union you will find these local grievances. You have out here in Minnesota, and in Illinois, and in every State of the Union that has a railroad track laid in it, local grievances against the railroad corporations. It has been for the last ten years a growing thing against the corporations of the country universally, but of the railroads more particularly, because those corporations are so large and control to such a great extent all the interests now of the country. What brings that about is, I would say, that in 1852—thirty-three years ago—before a railroad was thought of or had crossed the Mississippi, I shipped goods from Boston, in Massachusetts, to this point by way of New Orleans. I shipped them from Boston to New Orleans, and by boat from New Orleans to Saint Louis, and by other boats from Saint Louis to this point. That was our way of getting here. After awhile we took the lake route.

The CHAIRMAN. Did you live here then?

Mr. DELANO. No; I may say I lived in Saint Louis at that time, although I was interested in the country all that time. When the railroads got to within hauling distance of the river then the routes changed to the lakes more particularly, to those railroads and to the steamboats on the river. And it was noticed then that we had the same grievances. If we could have had them we would have had the same boards of commissioners to regulate the steamboats. Captain Blakeley will verify it, because he was a steamboat man and knows what the charges were and how the companies cut rates the same as these corporations do nowadays. It is the dollar they are after, and have been ever since I can remember.

Senator HARRIS. You think they were after it before?

Mr. DELANO. Yes, sir; and will be after we get through with commissions and everything else. And here I would say another thing as a foundation for what I say. They are trying in the States and now by Congress (because petitions are rolling into Congress all the time for this commission and this regulation) to do a thing that the railroad companies and the owners of the property cannot do themselves. And they are in a quarrel all the time about it.

## ANTICIPATED BANKRUPTCY UNLESS A CHANGE OCCURS.

In regard to transportation east of the Mississippi River at the Illinois boundary (we will not say anything about Wisconsin and that part of the Mississippi River), taking in the State of Illinois and its transportation lines, and keeping north between the Potomac and the lakes and the Mississippi River and the Atlantic, if the same state of affairs that has existed in the last sixteen months continues to last for twenty four months longer, one half and over of the railroads in that territory will go into bankruptcy. They are going to-day and have for the last six months. Step by step the smaller roads have had to lie down and give up and go into the hands of the big roads. That is the state of facts that actually exists.\* What I mean by the big roads is, the New York Central and all its connections, the Pennsylvania Central, and the Baltimore and Ohio—those three great corporations, and the New York and Erie, that stretch across the country between the lakes and the Mississippi.

## EFFECT OF THE GRAND TRUNK ON AMERICAN ROADS.

Senator HARRIS. And the Grand Trunk, which is out of the country?

Mr. DELANO. The Grand Trunk has its effect upon our roads in the United States. That is a road that will be independent of certain things when we are tied up by commissions, &c., but it will have what I would call, in a railroad connection, a deadly effect on our lines.

## A NATIONAL COMMISSION.

I am in favor of a commission. I am in favor of a Congressional commission, if we could have a business commission. If it is to be a political commission, then do not let us have it. A business commission should be had, in my opinion, to save the railroad property of this country, because, if those roads go into bankruptcy, and go into the hands of those great trunk lines, the time is coming when it is going to be just as it has been before, when capital will not go into the construction of railroads. That is my personal opinion about it, from what I have seen of the operation and construction of railroads from the Atlantic thus far towards the Pacific; and I have been connected with some of the large companies, and have seen them go through bankruptcy, and have seen the causes of their going through bankruptcy, and everything of that kind.

## RAILROAD OFFICIALS IN BUSINESS AND OBTAINING FAVORS.

When they come to speak of wheat and its grievances, I am to-day connected with a railroad. All the way from the president down the officers of that road get their salaries. Now, what is there, and what law can there be passed, that will prevent me from taking \$5,000 or \$6,000 or \$10,000, and going out into the country and doing any kind of legitimate freighting business that I please? Can there be any law passed that will prevent me from purchasing wheat? I do not believe there are any railroad companies in the country that are in the wheat-buying business themselves. I do not believe you can find in the United States a solitary company that is in the purchase of wheat; and yet at the same time the impression is given that it is the railroad companies, the corporations governed by their presidents, that are doing this thing.

The CHAIRMAN. Not probably quite that strong; but that some of the officers and directors, as individuals, are in the business, and are getting special favors from the railroad companies.

Mr. DELANO. I think that is a great mistake. I know that there are officers that are in the railroad companies that buy wheat; but I do not believe that they get any advantage from those railroad companies in doing it. The only advantage they get is by being connected with the markets and the terminal. For instance, Mr. Drake, the president of a railroad, goes out and puts \$500 or \$1,000 into wheat, and buys it, and has his agents buying it. I do not believe that company gives him one dollar rebate. They agree as to the rate for the shipment of their wheat, as with Mr. Dalrymple or any one else. All the advantage he has is to keep up with the terminals and corners and everything of that kind, as Mr. Dalrymple has as a large shipper, over the farmer who has only 160 acres of land.

The CHAIRMAN. Do you assert the fact that Mr. Drake has done that, or are you supposing a case?

Mr. DELANO. I am supposing a case. I do not know that Mr. Drake or anybody connected with that railroad ever bought a bushel of it. At the same time I, in connection with a railroad as one of its directors, as its superintendent, &c., have bought thousands and thousands of bushels of wheat. I have run these elevators that you hear talked about. I have had contracts with railroad companies for the erection, construction, and operation of these elevators.

The CHAIRMAN. And you the president of the company?

Mr. DELANO. No, sir; I was superintendent of the company; Mr. Becker was the president of the company; I made the contracts with the parties, &c., and ran them; people were in the legislature who asked and petitioned the legislature this very winter for the same system to be adopted again for the construction and operation of elevators; the same system that you have heard talked about here. You see it is a long story to tell. It grows into great details, which you gentlemen have no time to attend to. To make the matter short, I will say that I am in favor, and have been, of this commission. Not to fix the rates. The question is, what is going to become of this great railroad property of the country that we want? I claim, amongst other things, that we ought to have in this country the English system of government for our railroads. No railroad ought ever to be allowed to go into bankruptcy. No railroad ought ever to be allowed to be put into the hands of a receiver.

#### REGULATION OF RAILROAD BUILDING.

The CHAIRMAN. They ought not to be allowed to be built unless they are needed?

Mr. DELANO. That is the question that the English Government takes up when an application is made. I have a road running through a tract of country here and there are 10 miles on each side of it. Under our laws Captain Blakeley can build a road within 50 feet of mine and go into competition. I do not know but a United States commission would be as good a place as any—perhaps it should be a State commission. But I claim that the subject of that construction should be taken up before another road is allowed to be built within a certain distance. These railroads are wanted. Nobody will dispute that. They must be had to carry on the immense business of this country. How shall capital be asked to put itself into them and at the same time be protected? I am

opposed to the fixing of rates by any commission. I do not think they are competent to do it, because the railroads themselves have such immense difficulty in doing it.

#### PUBLICITY OF RATES.

Senator HARRIS. What do you think of requiring the railroad companies to publish their rates?

Mr. DELANO. I do not think they ought to be required to do it, for this reason: I build a road to-day from one point to another, and I build it for cash. Say I build a road from here to Chicago, as an example. The people of Milwaukee and Saint Paul build a road from here to Chicago, and the people of Chicago and Saint Paul build one from here to Chicago. I sit down, on the strength of what my road costs, and make my tariff. I know what it has got to earn. I do not know what it cost them to build their roads. I may be able to haul freight for half the money they can. That is one point on our roads as they exist to-day. There are actual charges that must be paid in order that that road may maintain itself and not go into bankruptcy. If you say "Let them go into bankruptcy," you must fix a maximum rate, and let the road put it as much lower as it pleases; but to fix any rates it seems to me would be destruction to the whole thing.

#### THE LONG AND SHORT HAUL.

Another thing about this long and short haul. That is a thing that I think you could not do.

The CHAIRMAN. Why?

Mr. DELANO. If there was but one line of road, that would be all right enough. But you apply the rule to-day in this country right here to a haul from Saint Paul to Saint Vincent, a distance of just 400 miles, at the same rate that that railroad is obliged to haul between Saint Paul and Minneapolis, 10 miles; or from Saint Paul to Saint Cloud, 75 miles, or Saint Paul to Fargo, 275 miles; and the men in the northern counties of Minnesota cannot live. They have got to shut up their farms, close their fields, and get out. They could not pay the proportionate railroad freight charges.

Senator HARRIS. Suppose we simply require that it shall not charge more for the short haul (not more in proportion, but more in the aggregate) than for the long haul?

Mr. DELANO. Well, I will make up a train of thirty cars to-day here in the city of Saint Paul, and put my conductor and brakemen on, and allow my engine to haul it 400 miles cheaper than I can haul it on another train to Grand Forks, 220 miles. I will enter into a contract with anybody to run roads in that way. Suppose you gentlemen build and own a road. I will come in and contract to haul your trains for you. If you will give me a lot of stuff to haul to Saint Vincent, 400 miles, and a certain amount of it, I will make up my trains accordingly and haul it there. And so I will do business at certain points cheaper than I would at other points.

Senator HARRIS. Still you would rather haul it 200 miles than 400 miles for the same money?

Mr. DELANO. For the same money; yes, sir. There is no doubt about that. Now, as to competing points; that is another thing that an attempt has been made to adjust. It looks to me as though it would be an impossibility to do it.

## UNIFORM CLASSIFICATION.

I know it is all right enough to have a commission. I agree with that. I would agree, perhaps, to a maximum rate. I will agree that a classification of goods should be made. For instance, if a grindstone is in one class in one road it should be in the same class on all the roads in the country. Take a lot of goods in New York that are to go to Chicago. The Baltimore and Ohio, for some reason or other, brings those goods for less than the New York Central will, and for less than a road running right direct on the shortest number of miles will. I do not suppose they will tell you why they do it. I do not know how it would be regulated. You might fix a maximum price. That would have to be ascertained, if done fairly and squarely, by finding out what the roads should earn. I am not talking about a lot of watered stock and everything of that kind. I am talking about legitimate railroad construction. I advocate, in connection with those things, the prevention, for instance, of railroads being put into bankruptcy and sacrificed. I think that does as much hurt as anything in the matter of railroad construction in this country. They should be protected. As to these grievances, you may go as a committee and hold a session in every State of the United States and in different parts of your own States, and you will find local grievances. Now, what is the grand general demand of the whole country, and the benefits to the whole country. I would say frankly we can take care of our interests out here. As far as Minnesota is concerned, we do not want Congress to meddle with it. We can elect men to the legislature to fix it up. We can go into our own courts and have our railroad commission. We can do this, that, and the other thing, as far as the roads of Minnesota are concerned; but here is, of course, this great interstate traffic; and, as I say, it brings itself right back again all the time to the point that when you come into that operation you have the worst old pill that ever was turned up in Congress. It will beat the star routes and all others. And if it is not conducted on the strictest code of business operations it is an utter and entire failure.

## REBATES.

The CHAIRMAN. Suppose Congress were to pass a law providing for a commission, and prohibiting rebates, and requiring public rates, and prohibiting pooling, and requiring a uniform classification of freights, would that hurt anything?

Mr. DELANO. No; I do not think it would hurt anything, and it would not do much good. They would beat you at it like a book; they would beat you in fifteen minutes on the rebate.

Mr. BECKER. We had better give up in this country and let them run it.

Mr. DELANO. No; they run it now.

The CHAIRMAN. It is a bad state of things, if an evil exists and it cannot be remedied.

Mr. DELANO. The question is what is the real evil of the rebate. If it is an evil which actually exists you can cure it. We will take the case of Mr. Dalrymple. Mr. Becker, one of the railroad commissioners, says we are going to cure it. Mr. Dalrymple stands at his farm in Dakota with 500,000 bushels of wheat. For some reason or other he wants that wheat to go to New York. I go to Mr. Dalrymple and tell him that I will take that wheat right out of his elevator at the granary and

carry it to New York and put it on a Liverpool vessel for so much a bushel. All right. The tariffs over every road that it goes on, or every boat that it goes into, added together, make the rate that I have given him. I tell him I will take it from his farm to New York and put it on a vessel bound for Liverpool for 25 cents a bushel, and it is billed at 25 cents a bushel; and the men who do the billing and everything else will prove that it was 25 cents a bushel, and they will collect 25 cents freight, and it will go into the treasury.

The CHAIRMAN. And you will give half back?

Mr. DELANO. And I tell Mr. Dalrymple when fixing the freight with him that he will have to pay 25 cents a bushel to New York, but I will see that he gets back 15 cents of it, and he will get it; and I want to see anybody in God's world, railroad commissioner of the State or of Congress, or any individual, outside of the fellow who gives the money back to him, find out how it is done.

The CHAIRMAN. Suppose the fellow discloses the fact that you have done that, and there was a provision of law making it a criminal offense?

Mr. DELANO. Very well, fix it that way. Mr. Dalrymple will come in and swear that I agreed to give him that rate, and I did give it. I will get up and swear that I never did.

Senator HARRIS. And we will believe Mr. Dalrymple.

Mr. DELANO. That is all right.

Senator HARRIS. I will ask you a question on that point: Just take the case you have put. Mr. Dalrymple has paid the 25 cents a bushel on 500,000 bushels of wheat to the agent of the transportation company. It appears upon the books of the company so much received of Mr. Dalrymple for the carrying of the 500,000 bushels of wheat; that agent has to account for every dollar of that money?

Mr. DELANO. He does.

Senator HARRIS. He must show vouchers for every dollar of that money?

Mr. DELANO. Yes, sir; he pays it into the treasury.

Senator HARRIS. What is the reason we cannot ascertain what is done with every dollar of those receipts?

Mr. DELANO. Because you would find it had gone into the construction account or somewhere else.

Senator HARRIS. Are we to presume that every agent of a transportation company cognizant of these facts would come into court and perjure himself in order to cover up the transaction?

Mr. DELANO. No, sir; there would be but one man cognizant of it. That is the trouble. Agents would know nothing about it; the conductors on the road, the superintendent of the road, would know nothing about it. I am only telling you how things are done where they want to cover them up.

The CHAIRMAN. Some of them would have to swear to a lie, or else they would be caught?

Mr. BECKER. Several people would have to.

Mr. DELANO. I do not think so. That is why I say that I do not believe you can fix a thing that will cover these rebates, &c. It only leads to perjury and everything else. Does the rebate do any harm? That is a question I would ask. In all my railroad experience, in and out of railroad operations, I believe that the rebate has been a benefit to the business of the country. For instance, take the people of our towns in Minnesota, good, solid towns like Rochester and Fairbault, towns of five or six or eight thousand inhabitants, that are rapidly growing; their great complaint is against Saint Paul and Minneapolis, that



they get such rebates from these railroad companies. They do get them, and it enables our merchants to build up their business.

The CHAIRMAN. At the expense of somebody else's?

Mr. DELANO. Yes, sir; that is the reason I want to see them retained. I am frank to state it just as it is.

The CHAIRMAN. Some of the best railroad men that I know of, and who have been before us, beg us to prohibit the payment of rebates and to enforce the law.

#### THE PASS SYSTEM.

Mr. DELANO. That may be as far as their operation is concerned, because it is like asking to have legislation to prohibit a railroad company from issuing passes. There is no bigger nuisance in God's world than the president and superintendent of a railroad has to undergo than to issue passes. If I was superintendent to-day of a railroad I would beg and pray the legislature to pass a law prohibiting the issuing of passes, and making it a penitentiary offense for a man to ask for one. I would put it that strong simply to get rid of it. That is why they want to get rid of the rebate business.

Mr. BECKER. Do you not think it would be a good thing to get rid of?

Mr. DELANO. No, sir; I do not.

Mr. BECKER. The pass business?

Mr. DELANO. Yes, sir; of course I do. It would be the best thing in the world to get rid of that, but not the rebate; because I believe that where rebates are given they are for the benefit of the railroad and the community. That is why I was taking that ground. When they come in and say, do away with the rebate business, I do not think the question is fully considered in all its standpoints. But still I am just as liable to be mistaken as any other person would be. I came more to listen than to say anything this afternoon. I have felt some interest in the subject.

The CHAIRMAN. I do not know of any other gentleman who desires to be heard. We will adjourn our session here.

Captain BLAKELEY. I think it is impracticable to make the rule of the same price for a short haul that you do for a long haul in regard to the several roads that run to Saint Paul from Chicago. One road is 410 miles. Some of the other roads that are running in competition for this business are nearly 600 miles long. It involves a necessity, if they do not charge but 25 cents, for instance, to Saint Paul, over the long route, that they shall carry to all other points on their road at the same rate. Hence they are compelled to carry freights at less pro rata per mile than the direct road from here to Chicago, which is only 400 miles long.

The committee then adjourned to meet upon the call of the chairman.

MEMPHIS, TENN., *November 12, 1885.*

The committee met pursuant to call.

The CHAIRMAN. I desire to say, as chairman of the committee, that Senator Harris and myself are here as a portion of a committee appointed by the Senate of the United States at its special session last spring for the purpose of investigating the question of the regulation of railroads, or, more broadly stated, the regulation of commerce among the States. We have visited the Eastern portion of the country and some parts of the Western portion, and deferred visiting this part of the country until late in the fall, with reference to the state of the weather, &c. We are here for the purpose of hearing what gentlemen in this city, and two or three other cities of the South, have to say upon this subject. We have not thought it very important that all of the committee should meet for the purpose of taking testimony at different points, for the reason that whatever any gentleman has to say is taken down and will be made a part of the printed record, so that your views and the views of gentlemen in different sections of the country will get before the public just the same as though the whole committee were present. I felt it due to the city of Memphis, and to other places in the South, if no other members of the committee should come, to say this much.

### JOHN T. TREZEVANT'S STATEMENT.

JOHN T. TREZEVANT appeared.

The CHAIRMAN. Do you reside in Memphis?

Mr. TREZEVANT. I have been here fifty years last February.

### EXTORTION AND DISCRIMINATION.

The committee state in their printed circular:

The general purpose of the investigation is to ascertain what substantial grounds of complaint now exist in any part of the United States as to the methods of operation of transportation companies engaged in interstate commerce, and as to their relations with those who have dealings with them, and to what extent and in what manner legislation by Congress can remove these grounds of complaint.

This inquiry will involve the consideration of a number of incidental questions that may be briefly outlined as follows:

1. The best method of preventing the practice of extortion and unjust discrimination by corporations engaged in interstate commerce.

I say in answer to that, as "extortion and unjust discrimination" are the prime evils complained of by those using railroads in the exercise of interstate commerce, an answer to the first question would be a comprehensive answer to the others. Perhaps the best method would be a penal law that could be quickly and certainly enforced, as but few individuals care to engage in lawsuits with wealthy corporations. You cannot drive a man into a lawsuit with a big corporation. He will go to law with me or you, but he dreads the idea of going into a lawsuit with a wealthy corporation because he thinks all the odds are against him.

### REASONABLENESS OF RATES.

The second question is as to "the reasonableness of the rates now charged by such corporations for local and through traffic." Senator Harris very well knows that as I am not practically engaged in transportation I cannot answer that question definitely, and I say I do not think many so much complain of the high charges as of discrimination

I do not think the charges are high generally, and they are not getting higher anywhere. I have observed that thing closely for the last ten years, and I do not think the charges are getting any higher, because competition is arousing the necessity of being moderate.

#### PUBLICITY OF RATES.

3. Whether publicity of rates should be required by law ; whether changes of rates without public notice should be prohibited, and the best method of securing uniformity and stability of rates.

Yes. Establish a *maximum* rate and rigidly and quickly punish violation of the law. Better punish by forfeiture of some part of franchise, rather than by damages, actual or exemplary.

#### MAXIMUM RATES.

4. The advisability of establishing a system of maximum and minimum rates for transportation of interstate commerce.

Maximum rates only are necessary. Let the roads know they may charge as little as they please, but not as much as they please.

#### FACTORS IN FIXING RATES.

5. The elements of cost, the conditions of business, and the other factors that should be considered in the fixing the tariffs on interstate traffic.

Some roads will insist that as they cost four or five times as much as others they should be allowed to charge more. Treat them as the Government does steamboats or private persons.

#### REBATES AND DRAWBACKS.

6. Should any system of rebates and drawbacks be allowed? If so, should such transactions be regulated by law and be subject to official inspection or approval? Or should they be entirely prohibited?

None should be allowed.

#### POOLING AGREEMENTS.

7. Should pooling contracts and agreements between railroads doing an interstate business be permitted, or should they be entirely prohibited by law? If they should be regulated by law, would it be sufficient to require the terms of such agreements to be made public and subject to official approval?

Regulate all these by law. Prevent combinations to do what the law prohibits as to maximum rates. That is the only thing needed. Publication needless, except as to the general law against pooling.

#### SELECTION OF ROUTES.

8. Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?

Let the railroad select the lines; only guard against extortion and delay in shipping. Time is always important to shippers. Make roads do by freight as by mail.

#### UNIFORMITY OF RATES.

9. By what method can a uniform system of rates for the transportation of passengers and freights by all the corporations engaged in interstate commerce be best secured?

A general conference of roads and showing of maximum rates will aid in answering this question.

## THE LONG AND SHORT HAUL.

10. Should corporations engaged in interstate commerce be permitted to charge a lower proportionate rate for a long than for a short haul? Does the public interest require any legislation on that subject?

That would be but just. It is often not so much the length of run as the cost of loading and unloading, which is about the same on a short as on a long run.

## CONCESSIONS TO LARGE SHIPPERS.

11. Should any concessions in rates be allowed to large shippers except such as represent the actual difference in the expense of handling large shipments over small shipments, and should such concessions be made known to the public?

None. Let the maximum rate have reference to all this. The railroads will regulate charges accordingly.

## UNIFORMITY OF ACCOUNTS.

12. Should corporations engaged in interstate commerce be required to adopt a uniform system of accounts?

Best to do so.

## REPORTS TO THE GOVERNMENT.

13. Is it desirable that such corporations should be required to make annual reports to the Government? If so, what information as to their earnings, expenses, and operations should such report contain?

Make semi-annual or quarterly reports, as banks do; and gross and net earnings, actual expenses, interest account, &c., should be embraced.

## WATER-ROUTES.

14. In making provisions for securing cheap transportation, is it or is it not important that the Government should develop and maintain a system of water-routes?

Competition between the roads and the steamers will settle this. No law needed.

## NATIONAL COMMISSION.

15. In what manner can legislation for the regulation of interstate commerce be best enforced? Should a commission be established for that purpose?

By competent commissions composed of men who are not directly or indirectly connected with any roads. As the duties would be quite onerous, it would be best to have several commissioners.

## PENAL LEGISLATION.

The CHAIRMAN. You start out with the proposition that there ought to be a statute passed with penalties attached for the violation of the law. Are you satisfied in your own mind that that system of legislation is the best in reference to the control of railroad operations, and that there should be penalties affixed? I suppose when you say "penalties" you mean fines; or do you mean to go beyond that?

Mr. TREZEVANT. I should leave that, of course, to the discretion of Congress. I would not think of dictating what I might consider completely my idea of penalties, but I feel that the violation of the law should be punished in some way or other, so as to deter the violators.

I know that moneyed men in these large corporations, as a general rule, have all they want to back them in the way of means to defend lawsuits, and it is immaterial how many they get into, while it is a very material matter with a single individual. I think, therefore, penalties for the infraction of the law will be much more efficient than giving a man mere damages for the injury sustained.

The CHAIRMAN. You perhaps may be familiar already with the state of facts which exists, for instance, in Massachusetts.

Mr. TREZEVANT. No, sir; I do not know anything at all about that.

The CHAIRMAN. Suppose it is true that in Massachusetts the judgment of a commission published to the world or to the railroad companies has been, as a matter of history, always complied with by the railroad companies of that State, what, in your opinion, would be the effect if you had such legislation as that, and such a commission in Tennessee? Would the judgment of three able, honest, capable men be taken as conclusive on the part of the railroads, as a general proposition?

Mr. TREZEVANT. I think so, carried out in that way, based upon such examples as you have mentioned. I think there should be some penalty to enforce these laws, but if the experience of railroad men in Massachusetts and New York and in England has taught that a lenient dealing with railroad companies, and a comprehensive one at the same time, will induce a prompter and more general compliance with the law, that would be best for all parties.

Senator HARRIS. As a means of remedying the evil and enforcing the law, how would this idea strike you: a commission to investigate, to report, and if the party found in default or in the wrong by the commission failed to perform the decree of the commission, make it the duty of that commission to report the case to the proper district attorney of the United States, and make it the duty of that officer to institute judicial proceedings at the expense of the Government to compel the party in the wrong to perform the duty in accordance with the law? Would not that be as good or a better method?

Mr. TREZEVANT. That is the outline of my answer to one of the printed questions. I say prompt and quick punishment for the infraction of the law; but when you bring up the question stated just now that in the more enlightened and civilized portions of railroad countries it has been found that mild measures are best for railroads and for all parties, that must have weight.

The CHAIRMAN. Of course in the end there must be some power in the courts by which the corporations shall be made to do what the law requires them to do.

Mr. TREZEVANT. Yes, sir; you will have to incorporate the power that Governor Harris just now mentioned, whether it be the secondary or the primary.

#### MAXIMUM RATES.

The CHAIRMAN. You have spoken of maximum rates. You seem to regard the fixing of maximum rates as important. Have you thought about the question whether maximum rates for this great country, spread over so much territory, could be made and placed at a point where they would practically do any good? You have been interested in railroads, and, as you are aware, some lines of railroad cost \$25,000 a mile, some \$40,000, some \$60,000, and some going through mountains possibly more. If maximum rates were fixed at all, would it be your idea that

they should be fixed for the whole country, just one schedule of maximum rates, and that it should be declared in the law that no railroad should charge above that given rate fixed?

Mr. TREZEVANT. That would be my idea.

The CHAIRMAN. Who would fix it?

Mr. TREZEVANT. That is for the legislation of the country to decide, whether a commission or Congress.

The CHAIRMAN. Do you think that Congress would be the proper body to do that piece of work?

Mr. TREZEVANT. I think the commission that Congress might select would. I put it upon the ground that a railroad company is but an association of individuals. It has no more right under the Government than my friend Neely or my friend Porter here. If they choose to build a marble palace to do business in, they are to be taxed at the same rate as the man who builds a cheap wooden house. They have to run that risk and encounter it. If they build a road through a country where it must be necessarily costly, it is their lookout; they put their money there. I say the best criterion, the best guard, on this whole thing is to fix maximum rates, to say to the railroads, "Charge as low as you please, but you shall not go above a certain rate."

The CHAIRMAN. Suppose we were to do that, and suppose a national commission should investigate the cost of all the railroads in the country, and a railroad ran out from Memphis in a particular direction to a section of the country with which Memphis was anxious to put itself in business relations; if it cost that company \$75,000 a mile to get to the place you wanted to reach by a railroad, would you think it would be fair to that company that the commission should fix the rates the same as on one of our railroads in Illinois, where the cost of construction would be very much less than in the case I supposed here?

Mr. TREZEVANT. I see that difficulty.

The CHAIRMAN. Would you put the rates so high as to enable the company that had the costly railroad to pay current and fixed expenses, or would you put them down so as to give a reasonable profit to the company in Illinois running its road on the prairie?

Mr. TREZEVANT. I think there is a medium in all those things, and you cannot get everything as you would like to have it.

The CHAIRMAN. Would it not result in maximum rates being fixed so high in order to be fair to the more costly railroads—and when I say "costly" I do not mean the railroads that are built and run with palace cars and all that, but where the company must burrow through the hills to build a railroad—would not the rates have to be so high to enable them to live as to be extortionate on all others where the railroads were built more cheaply?

Mr. TREZEVANT. Upon that same ground you might suppose the case of a man who enters into business here in a shanty, while Porter and Neely are in magnificent houses. He does not begin to encounter the expense that they do, and yet they have got to stand higher taxes for the buildings they occupy and the greater cost paid for their ground. Those are differences which exist in life and in every vocation. There is a medium to be sought somewhere somehow, I do not pretend to say how. I think, however, there is a medium, and I should attempt to fix it by looking at the rates. For instance, I will take passenger rates upon the large majority of what we term cheap lines throughout the country, and upon costly lines, and I would then as near as I could "split the difference." The very same motives that would induce the railroad companies to submit to the dictum of a commission, as you say

they do up at the North, through Massachusetts, the very same motives that have compelled them cheerfully to abide by what they may think the unjust dictum of a commission would make the public say, "Well, it is for the public good anyway, and we cannot get everything low; the commission is trying to do the best for all; some rates are cheap, some extravagant, and there must be necessarily a difference in the cost of running." To attempt to regulate the rate on every railroad in the United States would be a herculean task. Again, all those things are influenced more or less by the price of labor. The charge for loading and unloading cars enters into the cost of transportation. That charge may be much cheaper to-day than it will be next year. The same thing is true about steamboating. When steamboat labor is high, extortionate, exorbitant, the carrying of freights by water is necessarily more costly than when you can get all the labor you want easily. Those are difficulties I can see; but I confess I do not know how to overcome them, except by striking the medium line.

The CHAIRMAN. Would it not be safer to allow the whole question of rates to be examined into by a commission? Let the railroads fix their rates themselves, in the first instance, but if they are exorbitant, extortionate, let the railroad commission, if one should be created, look into it and so declare as to any particular road; and if it is extorting from the people there is a remedy under the law to force it to put its rates lower. Would not that be safer than to make one general tariff for all the country, taking in the costly, high-priced roads as well as the cheap ones, and putting them all on a level? In other words, the business community must have railroads, and some of the railroads which are built to accommodate business go through portions of the country that make the railroads cost very much more than in others, and a maximum rate would be practically fixed so high in order to let all the railroads live at all as that three-fourths of them perhaps would have tariffs that would be far above what they are charging now without any regulation. So I suggest to you—I do not give my own expression of opinion—whether in your judgment upon reflection it would not be safer to the business interests of the country to allow a commission to pass upon the question as to whether any one particular railroad was putting its tariffs too high or not?

Mr. TREZEVANT. I suppose that will all necessarily go to a commission anyway, but the line of thought they would probably take up would be a very nice one, as you have brought it up, for I do not know any question, so far as the roads are concerned, that is more multiform, that has more phases, more forms and shapes, than the simple one of the cost of freight and transportation.

Senator HARRIS. Take a railroad company which had constructed a railroad that was absolutely necessary to the commerce of the country, but passing through a rugged region, which made it very expensive not only to construct, but cost twice as much to operate it as a road running through a plain; would you be willing to require that railroad company to do business at a loss? Do you not think it ought to be permitted to charge such rates as would at least enable the company to operate the road and to make some small profit upon its large investment?

Mr. TREZEVANT. That at last brings us back right to the point, who shall regulate the road, the commission or the railroad company itself?

Senator HARRIS. Exactly; and the very question to which I am endeavoring to draw your attention is, shall we undertake to regulate it by law so as to force it to lose upon a necessary investment?

Mr. TREZEVANT. Just there I do not agree with you that it is a necessary investment. Nobody has forced the tunneling of the Rocky Mountains from here to the Pacific. It has been a voluntary undertaking upon the part of men who believed that through population and travel they could get back a handsome interest upon their investment. There has been no compulsion to make that investment, for they have done it voluntarily. A road from here to Birmingham might be a very costly thing—I do not doubt it would be, from what I know of some portions of the country—but I do not see how you can establish a law by which you can discriminate, so as to let that company make certain charges upon its own statement of its cost.

The CHAIRMAN. It is a question to be looked into by authority as to what the road actually did cost.

Mr. TREZEVANT. Yes, sir; of course.

Senator HARRIS. At one time you thought, as you still think, doubtless, that it was a matter of great public importance to construct a railroad from Memphis to Louisville.

Mr. TREZEVANT. Yes, sir.

Senator HARRIS. I quite agreed with you then, as I do now, upon that subject. Suppose you had to pass through, as you did over part of the territory between here and Louisville, a rugged country, where it was very expensive to make a commercial thoroughfare such as we have made; do you think it would be fair or just to compel the people who put their money into the construction of that railroad to charge the same rates, and authorize Senator Cullom's constituents, who built a railroad over a plain where they had nothing to do but to lay down the cross-ties, to charge the same rates?

Mr. TREZEVANT. I do not see how you can avoid it.

Senator HARRIS. Can it not be easily avoided by allowing each company to fix its own rates, and if those rates are exorbitant or extravagant let that be a just cause of complaint? Let the commission investigate it and report upon each special case and bring the companies to justice if they are extorting upon the public.

Mr. TREZEVANT. That would be a very herculean task.

The CHAIRMAN. Take, for instance, the roads out in Colorado. One of the reasons why this is a great country is because we are doing business, and the business we do makes what we call commerce. Have you ever been in Colorado?

Mr. TREZEVANT. No, sir.

The CHAIRMAN. There are railroads running from Denver to Leadville, for instance, and out in different directions in those mountains, so steep that you can hardly climb them. Trains are running up and down those railroads bringing ore out of the hills which comes to the mints and finally gets into gold and silver bullion and money. Those roads there have a right to live. There are hundreds of thousands of people out there doing business, and they have as good a right to get a railroad if they can as we have anywhere here in the older States. If we are going to fix an iron rule by which maximum rates shall be made all over the country we have to crush out those roads and such roads as are probably not equally costly, but much more costly than the roads here in your own State, or else we have to make the maximum rate so high that it would do nobody, except those localities, any good at all. Would it not be safer to leave that to some authority to work out, taking a road at a time, if necessary?

Mr. TREZEVANT. But you forget, I think, the question I raised when



I started out. You forget that fixing a maximum rate does not compel anybody to adopt it.

The CHAIRMAN. Of course it does not.

Mr. TREZEVANT. There may be a maximum rate which will be accepted by half a dozen roads, and half a dozen others will not accept it.

The CHAIRMAN. Yet, if it is the law they have a right to charge up to the maximum rate, and the people of Illinois say the railroads charge too much. We can have no ground of complaint against a railroad for doing it, because the railroad will answer, "This is the law you made and we are not charging more than the maximum rate." The result would be that the people in those parts of the country where the roads are so much cheaper would be extorted from practically all the time, and yet there would be no remedy.

Mr. TREZEVANT. I have no doubt that will come up, but I do not see how you can possibly avoid it unless you can put every man upon a level, as I just now said. Take Main street here; every merchant is taxed in proportion to the value of his goods.

The CHAIRMAN. But he is not taxed for any more than their value?

Mr. TREZEVANT. He has to pay the tax to the State for a certain purpose. The State does not care what it costs him to live, nor what it cost him to erect a fine building.

Senator HARRIS. Is that a parallel case?

Mr. TREZEVANT. I think so.

Senator HARRIS. One of the merchant princes of our town may spend \$100,000 or \$150,000 to build a palace in which to do business. That is a matter of taste and ornament. It is not so in the construction of a railroad. If a mountain intervenes, and you have to tunnel it, that involves an immense cost, and if you have a heavy grade it increases the cost of running much more than to operate over a plain. You are compelled to do that if commercial necessities demand the construction of the railroad. It is not a matter of taste, it is not a matter of fancy, and the money which goes into that expensive railroad is not a matter of ornament as in the case of the palaces on our business streets. It is a matter of absolute and inevitable necessity to commerce, and hence the cases are not parallel. The money must be spent in one case and not in the other.

Mr. TREZEVANT. The truth is that in neither case is there any necessity to spend the money.

Senator HARRIS. There are commercial necessities.

Mr. TREZEVANT. The thing is involved simply in necessity. Is there necessity in either case, and could you, in the thousand and one railroads that are in the country, attempt to regulate the prices of all of them? There is no such thing done in this State nor in any State in the Union. Under a general law the tax upon all the roads in the State is so much a mile, not upon this road or that road, but so much a mile upon all.

The CHAIRMAN. In Illinois at one time, and I do not know but it is so to some extent yet, the railroads were classified so that the higher-priced roads, the roads that were doing the smaller business, were allowed to charge more than those that were heavily loaded with business and making more money, and probably roads that did not cost so much per mile.

## D. T. PORTER'S STATEMENT.

D. T. PORTER appeared.

The CHAIRMAN. What is your business?

Mr. PORTER. I am a grocer and cotton factor in this city.

## VIEWS OF MEMPHIS COTTON AND MERCHANTS' EXCHANGES.

The CHAIRMAN. Have you a prepared paper that you prefer to read first?

Mr. PORTER. Yes, sir.

The CHAIRMAN. Then proceed to read it.

Mr. PORTER. I will read the paper just as I have it here. It is as follows:

A meeting of the joint committee from the Cotton and Merchants' Exchanges was held at the Cotton Exchanges, Thursday evening, November 5, at 7.30 p. m.

Present, D. T. Porter, chairman, Napoleon Hill, H. M. Neely, W. A. Everman, J. L. Wellford, of said committee, and W. B. Mallory, G. W. Macrae, J. M. Phillips, J. R. Godwin, and T. B. Turley, present by invitation, for the purpose of conference.

The following resolution was offered and unanimously adopted, T. B. Turley having previously been excused from voting:

*Resolved*, That in the opinion of this committee, and the gentlemen invited for conference, it is inexpedient, looking at the question from our standpoint, for the General Government to interfere with the management of the corporations carrying the products of the country between the States, either by rail or river; but they are of the opinion that the General Government, by liberal appropriations for the improvement of our great waterways, can bring about a healthy competition between the interstate lines and thus remedy nearly, if not all, of the evils at present existing that affect us.

The committee then adjourned to meet the Senate committee on interstate commerce, at the Memphis, Cotton Exchange, on Thursday morning, November 12, at 10 a. m.

D. T. PORTER,  
*Chairman.*

J. L. WELLFORD,  
*Secretary.*

## WATER ROUTES.

The CHAIRMAN. You say that in the judgment of your associates here the Government ought not to do anything except to make appropriations to improve the rivers?

Mr. PORTER. That is all. The river corrects everything here if you keep it in good fix.

The CHAIRMAN. Are you gentlemen looking at this question simply from the standpoint of business men of Memphis?

Mr. PORTER. Strictly, and we so state in the paper.

The CHAIRMAN. You are not thinking about the question in reference to the rest of the country?

Mr. PORTER. Not at all, and we so state in the paper. We do so because we were appointed by the Merchants' Exchange and the Cotton Exchange, of Memphis, and we did not suppose it was our business to spread out all over the State of Tennessee.

The CHAIRMAN. I infer from that conclusion that you think you are treated entirely satisfactorily to yourselves by the railroad corporations in this city. Is that correct?

Mr. PORTER. Not altogether. The paper says that liberal appropriations for the improvement of the river would "remedy nearly, if not all, of the evils." We do not deny that there are some evils.

## RAILROAD DISCRIMINATIONS.

The CHAIRMAN. As a matter of fact, do the railroad corporations that have to do with the business men of Memphis treat the business interests of this city entirely fairly? Are there any complaints against railroad corporations here?

Mr. PORTER. Yes, sir.

The CHAIRMAN. What are they?

Mr. PORTER. There are some complaints that they discriminate against us, but those complaints are very small.

The CHAIRMAN. That they discriminate against you as a city?

Mr. PORTER. Yes, sir, as a city.

The CHAIRMAN. Are there any discriminations or complaints of discriminations as between individuals in the city?

Mr. PORTER. I think there may be occasionally, but it is very rare, so rare that I could not now cite you a case.

## REBATES AND DRAWBACKS.

The CHAIRMAN. You are engaged in the cotton trade and groceries, I believe?

Mr. PORTER. Yes, sir.

The CHAIRMAN. Do you know anything about any system of rebates existing here?

Mr. PORTER. No, sir; I do not know anything about that.

The CHAIRMAN. Are you prepared to say that so far as you know the system of rebates is not practiced here at all?

Mr. PORTER. I cannot say that it is. Probably you think there are rebates, but I will answer that if you will allow me to make an explanation in my own way.

The CHAIRMAN. Certainly.

Mr. PORTER. A broker will come and say to Porter & Macrae, "I want to sell you a thousand sacks of coffee in New York, freight so much." We say we will take the thousand sacks of coffee at a given price, freight so much. We have a regular contract. We know nothing about rebates. That is all we know about it.

The CHAIRMAN. You have a private contract for the shipment, for the rates of freight, between you and the railroad company?

Mr. PORTER. Yes, sir; and we know exactly what that coffee will cost us laid down in our house, and what the seller gets the freight at is not our business.

The CHAIRMAN. And what anybody else's contract is between himself and the railroad companies you do not know anything about?

Mr. PORTER. No, sir; we make our own rates. For instance, we have some parties traveling in Arkansas. They come to us and say, "If you can get us a certain rate of freight on a car-load of goods to a certain point, we can sell a car-load of flour, bagging, or ties," whatever it may be. We go to the railroad company and say, "We cannot sell these goods unless you give us this rate of freight," and they do it, and we write the party that the freight is so much, lower than he has been getting, because of there being a car-load. It is a special rate. They go and tell everybody out in the towns, and the railroad company comes back and says, "You treated us badly; we gave you a special rate and you told everybody in Arkansas." Now what do we do? We go to the party and say he may sell us a car-load of freight if he will put it down at a certain price; if not, we do not pay the rate. That may be a discrimination, but it is very satisfactory to us.

The CHAIRMAN. Do you not think as a matter of fact, looking at it

from the standpoint of a citizen and not specially with reference to your own individual pocket, that it would be better to have a system by which every man who is engaged in that business is charged just the same rate between here and New York?

Mr. PORTER. I am answering now for the Merchants' and Cotton Exchanges, and the only answer I have to give to that question is the resolution I have read.

The CHAIRMAN. You are testifying as an individual.

Mr. PORTER. No, sir; I am here in an official capacity this time. Senator Harris knows very well that I voted for the railroad commission when I was in the legislature.

The CHAIRMAN. Of course, if you do not feel like being examined on the question, outside of the paper you have read, I have nothing further to ask.

Mr. PORTER. I would prefer not, from the fact that we discussed the matter in committee at two or three meetings. We went over it in every conceivable way.

Senator HARRIS. Of course the committee do not desire you to express any opinion on any other question here, unless you choose voluntarily to do so, but our object is to get accurate and reliable information upon the general subject of the carrying trade within the United States, without reference to the local interests of any particular point, but dealing with it as a question pervading the whole country. This is an important commercial center, where I had supposed we should be able to obtain valuable information in respect to the carrying trade. I recognize your position as chairman of a committee representing certain commercial bodies here. You have made your report as chairman of the committee under instructions. Now we have that, and your duties as chairman of that committee have ended. If agreeable to you, Senator Cullom and I would both, perhaps, desire to ask some questions as to your own experience and knowledge personally and to have you answer as D. T. Porter and not as chairman of the committee.

Mr. PORTER. Then I am relieved as chairman of the committee?

Senator HARRIS. Yes, sir.

Mr. PORTER. I have done just what I was told to do.

Senator HARRIS. You say at a meeting of the joint committee the following resolution was offered and unanimously adopted:

*Resolved*, That in the opinion of this committee and the gentlemen invited for conference, it is inexpedient, looking at the question from our standpoint—

Does that reference to "our standpoint" mean that you gentlemen thought Memphis would be benefited by having more railroads than it has got and giving every encouragement that we can to the construction of further railroads?

Mr. PORTER. Yes, sir; and fixing the river.

Senator HARRIS. It does not refer to the fact that the carrying trade as at present is absolutely in all respects satisfactory to the community here, so much as to the fact that this community thinks it would be benefited by encouraging the construction of additional railroads centering here?

Mr. PORTER. This particular community?

Senator HARRIS. Yes, sir.

Mr. PORTER. We are very careful to speak only for the Merchants' and Cotton Exchanges, of Memphis.

Senator HARRIS. In the opinion of that committee, representing the Merchants' and Cotton Exchanges, you think that we need more railroads here, and as a means of securing them we had better not trammel or in any way discourage the construction of further railroads?

Mr. PORTER. Yes, sir; and the improvement of the river, which brings about another competition, equal, probably, to half a dozen railroads.

Senator HARRIS. You want an improvement of the river, and so far as that question is concerned this committee is very sound on the improvement of all legitimate waterways.

Mr. PORTER. You know, of course, that the river is a strong competitor of the railroads. It regulates the whole thing here.

#### RIVER AS COMPARED WITH RAILROAD TRANSPORTATION.

The CHAIRMAN. Have you any objection to answering a few interrogatories in reference to the river?

Mr. PORTER. I do not know that I have if you will relieve me from belonging to that committee.

The CHAIRMAN. You are relieved as far as we are concerned. Are you acquainted with the comparative volume of business done by the people of this city upon the railroads and the river? Upon which do you rely most for your commerce, your trade, your shipments?

Mr. PORTER. Of course we rely more upon the railroads.

The CHAIRMAN. About what proportion of the business of this town is done upon the river?

Mr. PORTER. I have that from the Merchants' Exchange exactly:

MEMPHIS MERCHANTS' EXCHANGE,  
Memphis, Tenn., November 12, 1885.

DEAR SIR: I herewith inclose you comparative statement of exports by rail and river for the year 1884. Regret to say that the absence of Mr. Keeling, and the consequent press of office work, prevents my giving you the imports also. Would say, however, that the ratio is about in proportion to that of the exports.

Very respectfully,

D. J. SHRIVER,  
Assistant Secretary.

H. M. NEELY, Esq.

*Exports per rail and river from Memphis for the year 1884.*

Articles.	By rail.	By river.
Apples.....barrels	12,502	2,123
Bran.....sacks	15,988	4,475
Beans.....barrels	2,245	1,476
Butter.....packages	3,290	1,731
Bagging.....rolls	71,944	16,455
Bacon.....packages	12,210	2,355
Boots and shoes.....do	26,307	7,143
Corn.....bushels	472,514	57,677
Cheese.....packages	20,373	5,628
Coffee.....sacks	33,271	7,832
Cotton-seed oil.....barrels	33,226	15,524
Cotton-seed oil meal.....sacks	403,783	83,012
Cotton-ties.....bundles	90,794	17,357
Dry goods.....packages	2,255	7,914
Flour.....barrels	159,501	36,760
Hay.....bales	27,486	14,229
Hats.....packages	6,554	1,506
Live stock:		
Hogs.....head	593	100
Sheep.....do	172	10
Cattle.....do	11,600	1,352
Horses.....do	6,668	2,037
Lard.....packages	23,339	6,098
Lumber.....M feet	6,580	787
Liquors.....packages	10,550	4,860
Meal.....barrels	60,592	22,467
Molasses.....do	13,025	3,461
Nails.....kegs	47,780	11,596
Oats.....bushels	106,816	60,395
Onions.....barrels	5,065	2,444
Potatoes.....do	77,787	10,382
Pork sides.....pounds	21,470,357	4,462,127
Pork.....barrels	3,489	2,158
Sugar.....hogsheads	1,605	79
Sugar.....barrels	32,337	7,814
Tobacco.....packages	35,485	13,811

The following are the figures from the Cotton Exchange:

*Receipts and shipments of cotton via all sources, season 1879-'80 to 1884-'85, inclusive*

#### RECEIPTS.

	1879-'80.	1880-'81.	1881-'82.	1882-'83.	1883-'84.	1884-'85.
Memphis and Charleston Railroad .....	82,364	95,711	79,485	89,294	94,978	79,110
Memphis and Tennessee Railroad .....	52,589	52,175	36,500	65,176	57,640	46,094
Louisville and Nashville Railroad .....	40,279	56,382	36,577	45,408	47,188	46,333
Memphis and Little Rock Railroad .....	61,941	90,900	43,743	110,365	86,640	78,731
Chesapeake, Ohio and Southwestern Railroad .....	10,961	12,993	8,598	27,855	20,658	25,256
Louisville, New Orleans and Texas Railroad .....					1,099	13,482
Kansas City, Springfield and Memphis Railroad .....					4,015	19,858
Memphis, Selma and Brunswick Railroad .....						139
By rivers .....	109,063	114,601	94,660	125,017	96,127	89,289
By wagons, &c .....	52,612	47,505	39,677	47,674	41,722	36,803
Total .....	409,809	470,267	339,240	510,789	450,077	430,127

#### SHIPMENTS.

Memphis and Charleston Railroad .....	90,485	104,074	67,861	115,435	61,195	58,660
Memphis and Tennessee Railroad .....	92,706	110,092	44,652	116,513	77,252	54,614
Louisville and Nashville Railroad .....	122,721	121,922	125,190	106,643	114,331	86,226
Chesapeake, Ohio and Southwestern Railroad .....			1,239	50,019	110,790	56,620
Louisville, New Orleans and Texas Railroad .....						42,573
Memphis, Selma and Brunswick Railroad .....						
Steamers north .....	85,268	90,293	102,403	94,581	32,624	93,911
Steamers south .....	12,631	42,086	3,599	18,444	54,614	40,085
Total .....	403,811	468,467	344,944	501,635	450,806	432,689

The CHAIRMAN. What are the rates of freight on the river from here to New Orleans?

Mr. PORTER. I think 12½ cents a hundred. The rate used to be 15 cents.

The CHAIRMAN. What are the rates on the railroads—the same?

Mr. PORTER. Sometimes they charge a little more because we always add the insurance on river freight, and if it is a cent a hundred cheaper by one route we take it. A rate of 12½ or 15 cents (and then we sometimes get it cheaper) to New Orleans, say 400 miles, seems to me about cheap enough.

The CHAIRMAN. Do you ship to New Orleans?

Mr. PORTER. Yes, sir.

Senator HARRIS. Is it 400 miles by rail to New Orleans?

Mr. PORTER. I think it is about 400 miles.

#### H. M. NEELY'S STATEMENT.

H. M. NEELY appeared.

The CHAIRMAN. Would you like to be heard?

Mr. NEELY. If I knew anything I would not object to giving it out, but I about agree with what Dr. Porter has said. In fact it is a question I have not studied a great deal, and I do not think I could add anything of any value.

## THE "LET ALONE" POLICY.

I am opposed to a Government commission on general principles. I am opposed to the Government interfering any more than is absolutely necessary in the management of corporations or any private interests. In fact, while I am by no means an outlaw, I am opposed to too much government anyhow.

The CHAIRMAN. You are in general for letting the people alone?

Mr. NEELY. For letting them alone as long as they behave themselves. This question is one I have not studied much, and it is a very difficult one. It is pretty nearly as puzzling as the tariff.

The CHAIRMAN. You belong to the exchanges, so that your views are embodied in the resolution that has been read, I understand?

Mr. NEELY. Yes, sir. I will say that I think there are evils practiced by the railroads. I think they charge extortionate rates in some cases, but they are generally local rates. I am afraid that the remedy would be worse than the disease, and I prefer to let it alone.

The CHAIRMAN. You are a little prejudiced perhaps by the failure of your commission here in this State?

Mr. NEELY. Oh, no, I voted against that commission.

The CHAIRMAN. You want to get rid of it?

Mr. NEELY. Yes, sir.

## LOCAL AND THROUGH RATES.

Senator HARRIS. Do you think it is a thing that should be tolerated to allow transportation companies coming to the city of Memphis to charge for transporting a bale of cotton from Memphis to Louisville or Cincinnati half the price they would charge the planter at Brownsville or Paris for transporting a similar bale of cotton over the same line of road to Louisville or Cincinnati?

Mr. NEELY. If that is necessary for the existence of the roads, I would favor it. I am convinced that the through rates over a great many roads pay them no money, and if they choose to give us very low rates on account of competition let them do it. If they determine to carry cotton or any other article for nothing rather than not carry it at all, I am in favor of letting them do it.

Senator HARRIS. Do you think it is just to the people of the whole country, that by reason of competition transportation companies should carry commodities between two great competing points at a loss and recoup upon the local traffic on their respective lines, so as to pay dividends to the stockholders of those companies? Are they not discriminating as against the great body of the people and in favor of the two competing points?

Mr. NEELY. That might be wrong as a principle, but I am in favor of keeping up a healthy competition. As I said before, there are some little evils of a local character that I think it better to submit to rather than to attempt a correction by the Government.

Senator HARRIS. You recognize the fact that a common carrier is a public functionary and owes duties to the public—is liable to regulation by the Government because he is a public functionary. Now, do you think it fair, or just, or right, that this public functionary should be permitted to discriminate against all the people who live upon any given line of railroad between competing points, making them pay twice as much for their uses made of this thoroughfare as they make the people of the competing points pay?

Mr. NEELY. No, I do not think that would be right.

Senator HARRIS. Then if it exists as a matter of fact, do you not think it ought to be regulated?

Mr. NEELY. That would depend upon the kind of remedy you could use. I am opposed to the Government managing in a direct way the interests of the railroads.

The CHAIRMAN. When you say a "direct way," what do you mean?

Mr. NEELY. I mean the appointment of a commission to fix rates of freight and passenger tariffs.

The CHAIRMAN. What would be an indirect way?

Mr. NEELY. The passage of some general law by which the courts could be easily reached, and not too expensively, would be about the remedy, I think.

#### THE REAGAN BILL.

The CHAIRMAN. Are you familiar with the provisions of what is commonly known as the Reagan bill?

Mr. NEELY. I have read the bill, but I am not very familiar with it.

The CHAIRMAN. It provided for the prohibition of extortion and unjust discrimination and against rebates and for publicity, and prohibited charging more for a long than a shorter haul. Would you be in favor of all those provisions in any bill?

Mr. NEELY. No, sir; I would oppose some of them at least, and especially that part of the bill that would prohibit charging more proportionately for a short haul than a long one.

The CHAIRMAN. I do not mean proportionately, but more in the aggregate.

Mr. NEELY. What do you mean by that?

#### THE SHORT AND LONG HAUL.

The CHAIRMAN. For instance, you ship goods from here to some place 50 miles this side of New Orleans, and then you ship goods to New Orleans. Suppose the railroad should charge you as much or more for the goods you ship to the point 50 miles this side of New Orleans than is charged for the shipment to New Orleans; would that be right?

Mr. NEELY. I think it would under some circumstances.

The CHAIRMAN. Would you be against a provision of law that would prohibit it?

Mr. NEELY. I would be opposed to it.

The CHAIRMAN. You would not favor a provision of law that would prohibit that sort of charge?

Mr. NEELY. No, sir.

Senator HARRIS. Will you tell me why you would favor a railroad company charging more for dropping a car-load of freight 50 miles this side of New Orleans than it would charge to carry it on from Memphis to New Orleans?

Mr. NEELY. I would oppose it because it would not give competing points like Memphis or New Orleans the benefit of low rates. Another reason I can see for opposing it would be that the tendency would be to break up and scatter all large commercial centers. For instance, if I have to buy my goods from New York, and the man at Brownsville, 50 miles from here, who is in the mercantile business also, can get his goods cheaper from New York than I can, there is no sense in my sitting here and trying to sell goods to a Brownsville man or to a merchant doing business in any other little interior town.



Senator HARRIS. Suppose you do not say "cheaper," but say as cheap.

Mr. NEELY. As cheap, then.

Senator HARRIS. Say he pays the same rate.

Mr. NEELY. Then I could not sell to him, nor to anybody in his neighborhood, because he could sell cheaper. He gets his goods right at home at the same price I get them here. It would be impossible for me to keep up large houses and expensive clerks and pay heavy taxes and sell goods to him or to his neighbors as cheap as he could get them there.

Senator HARRIS. Then you think if the Government should control at all (and if the Government does not the common carrier will) there should be a discrimination in your favor as against the Brownsville man?

Mr. NEELY. No; I do not put it exactly that way.

Senator HARRIS. If the Brownsville man is 50 miles nearer to New York than you are, and hence has to bring goods 50 miles less distance, you insist upon depriving him not only of the advantage of the 50 miles by getting a rebate in freights, but you insist that he shall be required to pay more than you pay for the whole distance.

Mr. NEELY. No; I insist rather that these great lines running from here to New York should come in competition with each other and give me just as low rates of freight as they can stand.

Senator HARRIS. Do you think it a healthy state of trade for the common carrier to transport merchandise between competing points at less than will compensate for the service and undertake to make it up by charging exorbitant rates—rates a little above fair rates—upon the local traffic?

Mr. NEELY. That is just one of the evils of business.

Senator HARRIS. Do you think it a fair and right and honest thing to do? That is the question I want to come to.

Mr. NEELY. I think it is right.

Senator HARRIS. That answers my question.

Mr. NEELY. Yes; I think it is right. The fact is, the stockholders own the railroads, and I am in favor of their managing them pretty much in their own way.

The CHAIRMAN. You recognize the fact that they occupy different relations to the public from what you do?

Mr. NEELY. Yes; but they have rights, and I think one of those rights is to manage the business pretty much in their own way.

Senator HARRIS. Still they are public functionaries, and owe duties to the public and are liable to public control.

The CHAIRMAN. The common law requires that a railroad company, which is a common carrier, should treat every man exactly alike who is in like circumstances. That is to say, if you and I are in trade and want to ship goods by rail, the common law now requires that every railroad should treat us exactly alike. The only question is whether they do it, and if they do not do it how can we make them do it, because everybody admits that they ought to do it.

Senator HARRIS. Mr. Neely does not admit it.

Mr. NEELY. I think it is best sometimes not to undertake to correct some things.

The CHAIRMAN. I do not think you believe in doing anything about it. If you lived at Brownsville you would think it was a little tough on you to pay more for goods from New York, or from Louisville, if you

were 50 miles nearer to Louisville, than the merchant, who lived here would have to pay.

Mr. NEELY. If I were a merchant out there it would not make any difference to me what freights I paid.

The CHAIRMAN. Why?

Mr. NEELY. I would get my goods as cheap as anybody else. It is the consumer of the goods who would be hurt by any exorbitant rates.

The CHAIRMAN. The truth is, you are sending goods right around in the neighborhood of that Brownsville merchant, probably because you get goods cheaper, are you not?

Mr. NEELY. If that question is to apply to me in my business, I would say that I am not. I sell to Brownsville, and not to the neighborhood around it.

The CHAIRMAN. You sell to a merchant there?

Mr. NEELY. Yes, sir.

Senator HARRIS. Then you bring your goods from New York right by the depot at Brownsville to your house on Shelby street in Memphis, and then you ship them back to Brownsville and sell them necessarily at a profit to the Brownsville merchant. If the Brownsville merchant could bring his goods from New York to Brownsville as cheaply as you bring your goods from New York to Memphis, 57 miles farther, do you not think it would approximate more nearly the rule of absolute fairness between man and man, citizen and citizen?

Mr. NEELY. I think it would ruin every commercial center in the country. I would move my brick house to Brownsville and get in right among the consumers and sell my goods. The thing would not work at all. It would ruin every commercial center in the country.

The CHAIRMAN. Suppose it did; would that hurt the people generally?

Mr. NEELY. It might help the people of the country some, but it would bankrupt all the commercial centers.

Senator HARRIS. There are a great many more citizens of the United States out of the commercial centers than in the commercial centers, are there not?

Mr. NEELY. Yes, sir.

Senator HARRIS. If the great majority of the American people who live out of the commercial centers would be benefited by such a regulation, do you not think it would be the duty of the Government to consider their interests rather than the interests of the commercial centers if they are in conflict?

Mr. NEELY. Well, no. I think as a class the people in the commercial centers are more affected by railroads and are of more value to the Government. In fact, I cannot see where the hundreds of thousands of coonskin-cap fellows over the country have anything to do with railroads or are affected by them in any way.

Senator HARRIS. The coonskin-cap fellow has to come to town occasionally to buy goods.

The CHAIRMAN. The view some gentlemen take is that the commercial centers are very important to the country about them, and that they are necessary in every section of the country, so that to build up those centers is helping the country people, and in that way they get large stocks of goods on which they can draw nearer to them. For instance, you buy your goods in New York and you make a commercial center for a good share of Tennessee by the accumulation of large stocks of goods here in Memphis.

Mr. NEELY. Yes, sir.

The CHAIRMAN. You think that the very work in which you are engaged, in building up a large commercial center here, is of public utility to the whole people of Tennessee?

Mr. NEELY. I do.

The CHAIRMAN. That is the idea some gentlemen have advanced. I wanted to see whether you took that view of it.

Mr. NEELY. Yes, sir; it is a public benefit by enhancing the value of lands contiguous to the commercial centers and furnishing a good market for the products of the country.

Senator HARRIS. But if it were not for the "coonskin-cap fellows," to wear and eat and drink the goods that you gentlemen bring here, if they were not valuable as consumers, you would not have a very large trade?

Mr. NEELY. We must have consumers.

Senator HARRIS. And they are the fellows who pay the bills at last.

Mr. NEELY. The class of men to whom I allude as "coonskin-cap fellows" are worth but very little to merchants. I did not include in the "coonskin-cap" line that larger respectable middle class, the producing class all over the country. I was trying to offset some of the large majority you spoke of in the country by mentioning those fellows who are worth but very little to anybody.

Senator HARRIS. Still the producers and consumers are really the men who foot the bills and the men who are most interested in all questions of transportation.

Mr. NEELY. Yes; I think so.

Senator HARRIS. The men who produce the articles that have to be shipped to market, and the men who consume the articles which are shipped to market, are the men who foot the bills. The middleman does not lose anything, perhaps makes nothing, on matters of transportation. It is the consumer and the producer who are interested and who finally foot the bills of transportation.

Mr. NEELY. Yes; I think that is correct.

Senator HARRIS. And the great majority of them live away from the commercial centers.

Mr. NEELY. Yes, sir.

The committee adjourned until to-morrow at 10 o'clock a. m.

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## GEORGE W. GORDON'S STATEMENT.

MEMPHIS, *November 13, 1885.*

The committee met pursuant to adjournment.

GEORGE W. GORDON (ex-member of the Tennessee railroad commission) appeared.

The CHAIRMAN. General, we wish to hear what you have to say first with reference to the state of affairs in Tennessee. Give us a brief history of your attempt at legislation and State control here, and then you may proceed to give your views on any of the questions involved in interstate commerce if you will.

## RAILROAD REGULATION IN TENNESSEE.

Mr. GORDON. As to the history of legislation in this State, my recollection is that in 1877 a bill was introduced into the State legislature couching the question of railroad regulation. It did not pass. In 1881

the same question was renewed in the legislature. No bill passed at that time. In the session of 1883, however, a bill passed the Tennessee legislature and became a law, regulating railroads. This law endowed the commissioners with considerable powers in controlling railroads. Among other things it gave them power to revise the rates of the railroads. The railroads could appeal, however, from the ruling of the commissioners upon the fixing of freight rates to the courts. When, however, the commissioners made an attempt to enforce the law by calling upon the companies to appear for the purpose of having their tariffs revised, they enjoined the commissioners from executing the law, especially in the matter of revising their freight rates—I will say their tariffs, embracing both passenger and freight rates. When that question was decided in the Federal court before Judge Baxter, he enjoined the commissioners from revising the rates. The case, however, was never heard upon its merits; he simply enjoined them. Pending that injunction another session of the legislature was convened, the regular biennial session. There was then a bill introduced to repeal the railroad commission law, and it was repealed.

The CHAIRMAN. What year was that?

Mr. GORDON. That was in 1885—this year.

The CHAIRMAN. The last legislature?

Mr. GORDON. Yes, sir.

The CHAIRMAN. So that the whole business is wiped from the statute-book?

Mr. GORDON. Yes, sir.

The CHAIRMAN. You have no commission and no law regulating railroads in the State now?

Mr. GORDON. No further than our general statutes. There are some requirements by our general statutes.

The CHAIRMAN. What is the law?

Mr. GORDON. It is a general law that the railroads shall make no discrimination between shippers.

Now, as to the sentiment of the public upon the question of railroad regulation, I do not hesitate to say that after my experience and investigation in this matter of railroad regulation for nearly two years, the popular sentiment among shippers is overwhelmingly in favor of railroad regulation. There are certain sections of the State where there are no railroads now, through which railroads have been projected, where the people are opposed to railroad regulation on the ground that it would prevent the building of railroads in those sections. I may say that that is in my judgment one of the main questions which defeated railroad regulation in the State and brought about the repeal of the law.

The CHAIRMAN. Take your own city here; you have seven or eight railroads, I believe; and still the people here do not seem to want anything done. What is your explanation of that?

Mr. GORDON. The only inference I can draw from it is that they want more railroads, and they act upon the idea I have just mentioned in regard to the sections where there are no railroads.

The CHAIRMAN. They have not enough here, and they think that legislation would interfere with building more?

Mr. GORDON. There is another question which comes in there, in my judgment, and that is the question of competition. This is a competing point, and that has a great deal to do with the building of railroads. Of course wherever there is a competing point the more railroads you have the better it is for that particular locality.

Another argument used by the railroad companies of the State was

that there should be more railroads, that competition would be the remedy for the evils complained of, especially in the matter of excessive rates; but I consider that fallacious in all respects except in its application to competing points. You cannot have a competing railroad from every railroad station and every shipping station in the State. Competition really competes only from competing points. That is a little singular way to express it, but you will understand me in that way, because it will be impossible to have a competing railroad from every shipping point in the State; in other words, from every station.

#### THROUGH AND LOCAL RATES.

Another complaint of our people is that favors are shown to the parties at the competing points, and that frequently the local shipper is victimized in order to make up what is lost upon shippers at competing points. Another thing they complain of is the undue favors shown to through as against local freights. That may be controlled somewhat by competition, but, notwithstanding, it is true that there is a popular complaint in our State of the undue favor shown through as against local freights.

The CHAIRMAN. Is it understood or believed here that through freights are carried at less than the cost of transportation, and that the difference is recouped from the local shipper who has to contribute?

Mr. GORDON. I cannot say that it is believed they are carried for less than the cost of transportation, but that they are carried at rates that the railroad could not afford unless they made it up by excessive local rates. For instance, a complaint was made to me that upon a shipment from Baltimore to Corinth, Miss., which was going to Jackson, Tenn., the freight was about 35 cents per hundred, and upon that same shipment from Corinth up to Jackson, a distance of not more than 59 miles, the freight was 69 cents a hundred. It had come a thousand miles for 30 or 35 cents, whereas it was shipped 50 miles or less for a rate of 69 cents. I merely mention that to show you the vast disproportion between the through and the local rates.

#### DISCRIMINATION IN RATES.

The matter of discrimination is one that is complained of a great deal.

Senator HARRIS. Discrimination as between places or individuals?

Mr. GORDON. Between both places and individuals. The individual cases are said to occur usually with large shippers, and are covered up in the form of rebates. The discrimination in favor of places is thought to be sometimes on account of large investments of property on the part of the railroad companies at those places.

The CHAIRMAN. What is the character of the property?

Mr. GORDON. Real estate.

The CHAIRMAN. Simply for the shops of the railroad companies or for outside enterprises?

Mr. GORDON. For the shops of the railroads and enterprises.

The CHAIRMAN. Private enterprises?

Mr. GORDON. It is not confined merely to that. For instance, it is said, whether truly or not I do not know, that the Louisville and Nashville discriminate in favor of Louisville as the headquarters of that system, and that its stockholders own large personal property there.

The CHAIRMAN. Individual stockholders.

Mr. GORDON. Yes; individual stockholders own property there.

Whether that be true or not I am not able to say. That is one point that is made.

The CHAIRMAN. Is the railroad largely owned by Louisville people?

Mr. GORDON. I will not say Louisville people just at this time. It is so understood, though, that they are largely interested, as well as parties in New York. I do not know that that is true, however.

#### THE TENNESSEE COMMISSION LAW.

The CHAIRMAN. You say that you had a law here under which you undertook to fix the rates as a commission. You had three commissioners, I believe?

Mr. GORDON. We had three commissioners. We did not undertake to fix the rates. We undertook to revise the rates.

The CHAIRMAN. After the railroads had made out their schedules?

Mr. GORDON. After they had sent us the schedules in accordance with our request, as the law required.

The CHAIRMAN. On what ground do you understand the law to have been decided unconstitutional?

Mr. GORDON. There were several points made in the decision of Judge Baxter. Among them he said that the law conferred too much power on the commissioners; that certain provisions of the law were too indefinite; that it conflicted with Article VIII of our State constitution and with the fourteenth amendment to the Constitution of the United States; and that it also undertook to regulate interstate commerce.

The CHAIRMAN. As a matter of fact, did you undertake to revise the schedules of freights that were started at Memphis, for instance, and went beyond the limits of the State?

Mr. GORDON. Never, sir. We did not construe the law as giving the commissioners any power to regulate freights beyond the limits of the State of Tennessee.

The CHAIRMAN. Did the court construe it to mean that?

Mr. GORDON. It did. That was one point made in the decision. I think, perhaps, our attorney made that point in his argument. The commissioners, however, did not, and so stated to the railroad companies.

The CHAIRMAN. You were simply undertaking to regulate freight that was carried from one point in the State to another?

Mr. GORDON. Yes, sir. However, one clause of our law authorized the commissioners of this State to confer with the commissioners of adjoining States with regard to interstate transportation, but gave them no power; it said they might consult with them, or something to that effect.

Senator HARRIS. You say you did not undertake to regulate rates or revise rates of commerce beyond the State?

Mr. GORDON. We did not attempt it.

Senator HARRIS. Do you mean by that that you only attempted to regulate rates on that commerce which began and ended in the State, or to regulate rates on transportation while in the State that went beyond?

Mr. GORDON. We did not attempt to regulate that which went beyond the State. In the first place, we simply made out a basis for a revision of tariffs for a distance which would compass the length of the State of Tennessee, or about 600 miles from east to west. The point was charged in the bill against us, that inasmuch as we had made out a basis for railroads embracing a distance of that extent, we *ipso facto* intended to regulate the rates beyond the State.

Senator HARRIS. I do not know that I made you understand my question. For instance, here is a cargo of goods shipped from Memphis to Knoxville, that is purely State; it begins and ends within the State, and falls clearly within the power of the State of Tennessee to regulate.

Mr. GORDON. Yes, sir; exactly.

Senator HARRIS. On another cargo of goods shipped from Memphis to Richmond, Va., you would not attempt to regulate the freight charges while it was passing through the territory of Tennessee?

Mr. GORDON. Not for a moment.

The CHAIRMAN. So that in the case of a shipment made at Memphis for New York, for instance, passing through the State and on through other States, you had nothing to do with it, and you did not seek to do anything with it?

Mr. GORDON. No, sir; we did not for one moment presume to say anything about such freights. We did not consider that it was within our powers or the jurisdiction conferred by the law.

#### A NATIONAL COMMISSION.

The CHAIRMAN. What is your opinion as to the best mode of regulating transportation by railroad? If you think any regulation ought to be attempted by either the State or National Government, or both, what, in your judgment, from the experience you have had as a railroad commissioner and business man or lawyer, ought to be adopted?

Mr. GORDON. From my investigation and study of this question, I am of the opinion that inasmuch as the inland transportation of the country is practically monopolized by the railroads, and shippers have little or no option but to patronize them, they ought to be subject to regulation both by the State and the General Government. I think that there ought to be a national commission to look after the interstate questions, and in connection with that commission there ought to be a State commission. As to the full extent of the powers to be conferred upon each of these commissions, I could hardly give you, without a little time to consider, my idea, but there ought to be something to restrain the railroads, they having at present the sole power to fix rates, the shipper not being heard. There ought to be some tribunal to which complaints could be referred when they are made by the shipper, and let that tribunal investigate the complaints. If it is upon a question of interstate commerce it would be a proper subject for the national commission to look into. If it is within a State, it would then be the function of the local commission to look into it and see whether it ought to be regulated or not.

Senator HARRIS. Would you give the commission power to enforce its judgments or decrees?

Mr. GORDON. No, sir; I would give the railroads the power to appeal.

Senator HARRIS. After the commission had investigated and arrived at conclusions and reported those conclusions, if the party in default should fail to carry out the judgment of the commission, do you think it would be wise to make it the duty of the commission to report the case to the district attorney of the proper district, and make it his duty to institute judicial proceedings to right the wrong?

Mr. GORDON. I do.

Senator HARRIS. At the expense of the Government?

Mr. GORDON. Yes, sir.

Senator HARRIS. Would you make the facts found by the railroad commission *prima facie* evidence upon trial in court?

Mr. GORDON. Certainly, and allow the companies to rebut them if they could.

#### PUBLICITY OF RATES.

Senator HARRIS. Do you think publicity of rates, requiring every transportation company to post up the rates over their lines, would have a restraining influence upon exorbitant rates?

Mr. GORDON. Unquestionably it would. They could not go beyond the published rates then, but that fact would not reach the question of rebates, &c. I would touch the question of rebates and unjust discriminations. All discriminations are not necessarily unjust.

Senator HARRIS. In any general law on the subject you would desire to prohibit absolutely all rebates and unjust discriminations?

Mr. GORDON. Yes, sir.

Senator HARRIS. You think that would be proper?

Mr. GORDON. It would be proper. I would put in the word "unjust" before "discriminations," because I can see very well where a discrimination might not be an unjust one.

#### THE SHORT AND LONG HAUL.

Senator HARRIS. Do you think it wise and proper to prohibit transportation companies from charging more in the aggregate for the short than for the long haul over the same road and going in the same direction, not more *pro rata*, but more in the aggregate?

Mr. GORDON. That is a very difficult question to answer, because what is complained of is a thing that competition might compel. I will take Memphis for illustration. There is steamboat transportation from here to Louisville and Cincinnati. That comes in competition with the railroads from this point, and in the matter of transportation of cotton, we will say, the boats would take that cotton at \$1.25 or \$1.50 a bale, and the railroads, without the benefit of that competition, would probably charge from \$2.50 to \$3 a bale. But the steamboat men say to the shipper, "We will take it for \$1.25." Under those circumstances, in that particular article of cotton, which is not perishable, he would probably ship that way. The railroad, in order to get the cotton, must approximate the rate offered by the steamboat, and the railroad could probably afford to take the cotton, rather than not get it at all, at the bare cost of transportation; that is to say, it would pay the expenses but no profit.

The CHAIRMAN. It would pay for the moving of it?

Mr. GORDON. It would pay for the moving of it. If there was no river competition with these railroads, I should answer your question the other way. I should answer emphatically, however, that a greater charge ought not to be allowed in the aggregate for a shorter than for a longer distance, but the question of competition will influence it very largely.

Senator HARRIS. Take this case, General: you have water transportation from Memphis to Louisville, Cincinnati, and for that matter up to Pittsburgh. If the river craft will carry cotton to Louisville from Memphis for a dollar a bale, do you think there is any justice in the railroad company charging from the town of Paris, 130 miles on the Louisville road, more than it charges from Memphis to Louisville, the railroad carrying cotton for a dollar a bale from Memphis to Louisville?



Mr. GORDON. I have answered that question in my previous answer. It seems to me that the railroads ought to be allowed to carry cotton from here at a lower rate possibly than from the intermediate points, provided the charge from the intermediate point, say Paris, is not an excessive one. In a case of that sort the question would be, is the rate from Paris a just, a fair, and a reasonable one, without regard to what the rate is from Memphis?

The CHAIRMAN. The road to Louisville gets away from the river after it leaves here and stays away from it?

Mr. GORDON. Yes, sir.

The CHAIRMAN. Would it be doing the people at Paris or any of the towns between here and Louisville an injustice if a railroad should take cotton, or whatever product there is here to be shipped there, at any price above the actual cost of transportation and carrying it to Louisville, even though they had to charge the Paris people a good deal more than that from there to Louisville? Would it be doing those people any injustice if the railroads could not get the freight at any higher rate in order to carry it at all from this point?

Mr. GORDON. I think not.

The CHAIRMAN. In other words, would it not be helping the Paris people by whatever amount the railroad got over the actual cost of transportation in paying the expenses of the road and keeping it up for the benefit of interior points?

Mr. GORDON. I think so, to that extent; but the general complaint is (and I am inclined to think there is a good deal in it) that when they are compelled to take the freight so low by the force of competition they then exact from the local stations an amount that pays them back.

Senator HARRIS. Charging exorbitant rates?

Mr. GORDON. Charging exorbitant rates. That is the trouble.

The CHAIRMAN. Suppose the railroads did not take the cotton from here at all; suppose they said to the steamboats, "We cannot compete with you and will not undertake to carry cotton," then what would you do with Paris and the other points along the line?

Mr. GORDON. I think they must charge such a rate as will make it pay them.

The CHAIRMAN. Would they be likely to charge Paris any less for the transportation of freight from Louisville or to Memphis from that point if they did not compete with the river than they do after they compete with it?

Mr. GARDON. No, sir; on the contrary, it would be more probable that they would charge more.

The CHAIRMAN. Because they do get a little profit over and above transportation expenses out of carrying cotton from here, you think?

Mr. GORDON. That is what I think about it.

The CHAIRMAN. So that in your judgment it would be doubtful policy for Congress to insert a provision of law in any bill that might pass prohibiting the charge of a greater sum for a short than a longer distance?

Mr. GORDON. Yes, sir; I think it would be doubtful policy.

#### POOLING ARRANGEMENTS.

Senator HARRIS. What do you think of the propriety of legalizing or prohibiting pooling contracts between transportation companies?

Mr. GORDON. I have thought about that question somewhat. My

judgment is that it is better to allow a pooling system and confer upon those engaged in it power to enforce a compliance with their rules and their terms, than it is to allow reckless cutting of rates, one road trying to destroy another.

Senator HARRIS. Then if you would legalize pooling, would you require it to be a cash pool or a division of business? There are two methods of pooling. In one the business is apportioned between the various carriers; the other is to make up to equalize by the payment of cash from the one transportation company to the other. Which of those methods would you legalize?

Mr. GORDON. The one of division.

Senator HARRIS. Division of business?

Mr. GORDON. Division of business.

Senator HARRIS. If you legalize that sort of pooling contract, the shipper loses control of the matter of shipment; that is to say, he cannot determine what line his freight shall go over. Do you think that would be just or proper?

Mr. GORDON. No; I could hardly say that. Upon further consideration it strikes me that it would hardly be practicable to have a division of business.

Senator HARRIS. Then your idea would be to make it what is called a cash pool?

Mr. GORDON. That would be more practical.

Senator HARRIS. To equalize by the payment of balances in cash. Is not the object of pooling purely and entirely to silence competition?

Mr. GORDON. That is what I understand to be the chief reason for it. It is to silence competition, especially in regard to the reckless undermining process of reducing rates.

The CHAIRMAN. Rate wars?

Mr. GORDON. Rate wars. It is a rate war.

Senator HARRIS. A rate war is simply competition highly excited and intensified.

Mr. GORDON. In my judgment a rate war is disadvantageous to the shipper, because what the company loses in the war it will at some time make up or try to make up.

Senator HARRIS. We have now, I believe, eight railroads running into Memphis, and while each company controls its own business in its own way there is legitimate competition as between those various carriers as well as the river carriers.

Mr. GORDON. Yes, sir.

Senator HARRIS. If those eight transportation railroad companies and the river transportation lines should enter into a pooling contract, fixing rates, so far as competition is concerned, would you be any better off than if you had but one single line of transportation? Suppose all the common carriers enter into a pooling contract by which they are bound to adhere to certain rates fixed by the pool. Then it is a contest between the shipper upon the one hand and the common carrier upon the other, stripped of competition altogether, is it not?

Mr. GORDON. Well, it would be; but the trouble is that you cannot prevent a rate war from taking place at certain times and becoming destructive to some one.

The CHAIRMAN. Which do you think gives the greatest ground for complaint against railroad corporations or their manner of doing business to day—high charges or instability of charges, irregularity?

Mr. GORDON. I think that the instability of the charges causes a great deal of complaint, probably as much or more than the excessive

charges. I think that railroads vary their charges frequently as the market varies. For instance, take the question of perishable goods, fruits, vegetables, and things of that character; freights frequently change with the fluctuation of the markets, and I take it that is the case with everything else.

Senator HARRIS. If every transportation company was required to fix and publish its rates and not permitted to change them except upon due and proper notice given, compelled to adhere to them until changed, and was prohibited by law from charging more for the short than for the long haul, would not that have a powerful tendency to prevent freight wars?

Mr. GORDON. I think so.

Senator HARRIS. Would not that be a much better remedy than a pooling contract, which effectually silences the voice of competition?

Mr. GORDON. That might be so. Do not understand me in my remarks to favor the pooling contract as a system. I say it has some good features, and that is to prevent this cutting, to the ruin and destruction of a road; for instance, a road with but little capital coming in conflict with a road of unlimited capital.

The CHAIRMAN. If pooling were allowed to exist at all——

Mr. GORDON. It ought to be controlled by your national commission.

The CHAIRMAN. That is what I was going to inquire.

Mr. GORDON. If it goes beyond a State, and it would. All these pooling contracts would extend beyond the State, I take it, and I was going to say, that, if pooling is to be allowed, when the contract is made by the companies it ought to be subject to the revision of your national commission, if you have one.

The CHAIRMAN. All contracts by railroads of whatever character?

Mr. GORDON. Yes, sir; all pooling contracts.

#### WATER-ROUTE TRANSPORTATION.

The CHAIRMAN. In your experience as a railroad commissioner did you find that this river had very much to do with the regulation of rates of freight upon the railroads?

Mr. GORDON. I cannot say that it had a great deal to do with it. It did upon the matter of cotton. Upon certain freights it could have no effect. Upon perishable goods it could have none, where the chief element in getting them to market is time.

The CHAIRMAN. I believe Albert Fink, who is known as the great trunk-line pool commissioner of New York, thinks that the lakes and the Mississippi River and the Erie Canal control the rates of freight in a large degree from one end of the country to the other.

Mr. GORDON. I do not know how that is.

The CHAIRMAN. I suppose it would not have much effect upon the rates of freight running out into the interior of your own State; but I am speaking now of interstate commerce passing from one section of the country to another. You think that the river has very little to do with the regulation of the rates of freight except on that product or article that goes to New Orleans, I suppose?

Mr. GORDON. Oh, yes; in going to New Orleans they come in direct competition with a great many things. It is cotton particularly that goes to New Orleans, which is the greatest cotton market in the United States, and cotton is shipped from here by river as well as by rail.

The CHAIRMAN. You think, then, the river has influence upon the

transportation of freight on the railroads that run parallel with it on all goods?

Mr. GORDON. I will not say upon all, but upon many articles of shipment. There are some that could not pass on the river without being destroyed, that is to say, before they could get to a distant market, on account of the slow time the boats make, such as I mentioned before, fruits and vegetables, which are largely shipped from this section of the country.

#### MAXIMUM RATES.

The CHAIRMAN. Do you think fixing maximum rates would be of any value to the people, taking the country over? It was testified here yesterday by a gentleman that he thought maximum rates should be fixed by a commission or by some authority for all the railroads of the country. Do you think that would be of any use?

Mr. GORDON. It might be of temporary use, but from the very character of this transportation, owing to the difference, you may say, often the amount of commerce would have something to do with it; you could not maintain your maximum indefinitely if you were to fix it. You might make a maximum so high that nothing would justify them in going to that extent, but if you were to fix a maximum and make it permanent you would probably allow them a great deal of latitude.

The CHAIRMAN. Was your schedule of rates here for all the roads alike?

Mr. GORDON. We made out our basis just the same, but we were going to refer the different roads to that basis, and we expected to allow certain roads 20 per cent. tariffs upon some things, looking to the local situation. In other words, we expected to classify all the roads, first, second, and third class, and have different rates for the different roads. You can see very well how, going through a mountainous country, one road would cost a great deal more than another, and at the same time perhaps the business of that road would not be near as great as that of the cheaper road.

Senator HARRIS. And the more expensive road would cost probably twice as much to operate it?

Mr. GORDON. Yes, sir; and therefore you must allow a difference in the price of transportation. You must take into consideration the cost of the road, the character of the road, the amount of transportation, the results of the road, its amount of business, and everything of that sort.

The CHAIRMAN. Therefore, practically fixing maximum rates for all the roads of the country would not amount to anything?

Mr. GORDON. In my judgment it would not.

#### FEELING IN TENNESSEE.

The CHAIRMAN. From your knowledge of your State, has it settled down in the attitude of opposition to any railroad legislation looking to the control of transportation, either by a commission or otherwise, or do you suppose that it will be renewed?

Mr. GORDON. My judgment is that it will be renewed; how soon I cannot say.

The CHAIRMAN. What were the causes which led to the repeal of the railroad commission law in your State?

Mr. GORDON. One of the causes was that railroad regulation was made a party question in our last State canvass, and another was the

bitter opposition of the railroad companies to any railroad commission law. The desperate efforts of the companies, through their officials, employés, agents, attorneys, newspaper organs, and in the legislature, were a powerful factor in bringing about the repeal of the law. There was also some opposition to the law in those localities where new railroads were wanted. But uninfluenced by the causes I have mentioned, my judgment is that the overwhelming sentiment of the people is in favor of railroad regulation by a commission. I qualified that before by saying that there are certain localities where they hoped for new railroads, and while their judgment is that they ought to be controlled they are not willing to see them controlled until a road is built to their place.

The CHAIRMAN. They are afraid to do anything just now for fear they might fail to get the railroad as a consequence?

Mr. GORDON. Yes, sir; but I am satisfied the public sentiment is that the railroads ought to be supervised by law.

#### A NATIONAL COMMISSION.

The CHAIRMAN. And your best judgment is that that ought to be done by a commission, but you do not say exactly what powers ought to be given.

Mr. GORDON. I will not say what powers ought to be given, because it is a very extensive question, but there ought to be at least a tribunal to which complaints can be made by the shipper.

The CHAIRMAN. And that tribunal ought to be different from, or something outside of, the ordinary courts of the country, you think?

Mr. GORDON. I think so.

The CHAIRMAN. Do you think that any legislation would be of practical value to the people in dealing with corporations that simply relegated them to the courts for their remedy?

Mr. GORDON. To have the courts simply look into this matter as they do into other questions is something that the shipper cannot afford to wait for.

The CHAIRMAN. Practically he would have no remedy?

Mr. GORDON. Practically he has no remedy when he comes into a contest with a moneyed corporation.

The committee adjourned to meet in New Orleans on the 16th instant at 11 o'clock a. m.

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NEW ORLEANS, LA., *November 16, 1885.*

The committee met pursuant to adjournment.

The CHAIRMAN. I wish to say in behalf of the committee that Senator Harris and myself are here as only a portion of the select committee of the United States Senate whose duty it has been to investigate the subject of regulating commerce among the States, especially with reference to interstate commerce inland by rail, but, in connection with railroad transportation and in competition with it, the waterways of the country as well. The whole committee is not here, because it was not deemed important, as everything that is said, either in writing or by verbal statement before the committee, is taken down by the stenographer and will be written out and printed finally with the report. I thought it well enough to make this statement of fact so that you gentlemen would know that whatever you have got to say is to be printed.

## J. W. BRYANT'S STATEMENT.

J. W. BRYANT appeared.

Senator HARRIS. What organization, if any organization, do you gentlemen represent?

Mr. BRYANT. My colleagues and myself represent the steamboat interest.

The CHAIRMAN. Mr. Bryant, proceed with what you have to say.

Mr. BRYANT. I will first remark, Senators, that steamboat men feel a little delicacy in offering any suggestions as to railroads, and therefore they preferred only to answer three of the questions which you have propounded in your circular. They feel that one of them they can answer very fully, question 14; and questions 8 and 10, which they have selected, they choose to deal with rather lightly, and the rest of the questions they hardly feel called upon to answer at all.

The CHAIRMAN. Of course we are not asking you to talk about anything you do not want to talk about.

## SELECTION OF LINES—THE LONG AND SHORT HAUL.

Mr. BRYANT. Putting questions 8 and 10 together, we file the following answer:

(8) Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?

(10) Should corporations engaged in interstate commerce be permitted to charge a lower proportionate rate for a long than for a short haul? Does the public interest require any legislation on that subject?

Briefly answered, yes, because a minimum rate of freight is made for river points and a maximum rate for non-competitive points. The effect of this condition being that because of the difference of insurance as between river and rail (it being greatly in favor of the latter) and the purposely reduced rate, gives the railroad an undue advantage that it would not enjoy were it unable to recover its losses consequent upon such reductions from communities not on the river banks, by higher rates, though the distance to the same point of destination, in the case of the latter, be much the least. In other words, were the railroad not allowed to discriminate in favor of a competitive, at the expense of a non-competitive, point, were the rates for a short haul to the river more fairly proportioned with the longer haul to terminal points of a railroad, then charges for transportation could be adjusted as fairly for the producer as for the carrier, and besides give the shipper a choice of routes that otherwise he does not have.

The CHAIRMAN. Have you any further answer?

## WATER-ROUTE TRANSPORTATION.

Mr. BRYANT. Not to those two interrogatories, but I have to No. 14, which reads:

(14) In making provision for securing cheap transportation, is it or is it not important that the Government should develop and maintain a system of water routes?

To which we answer:

Yes, because the water route is one of the two only, if not the main, means of cheap and rapid transit, an always available and immovable check against excessive rates of freight.

Because the water routes are under governmental control and should be maintained and improved the same as other public domain.

Because the Government, in aid of the development of communities having given lands and credit for the building of railways, can just as properly give its aid, where the same is required, to those dependent upon water routes for an outlet.

Because neglect causes obstructions to form, the widening and deepening of unnatural outlets, and consequent drain from navigable portions, and the corresponding increase in the danger, delay, and cost of navigation that often makes competition of rates, as compared with other means of transportation, well nigh impossible.

Because, unlike in other branches of transit, restrictive and discriminating rules and laws are applied to vessels engaged in the inland navigation and the owners thereof; that is, tending to drive the investment of capital from the river, forcing the ownership of vessels from responsible into irresponsible hands, and which will surely, if needed relief be not given, make competition by river a minor consideration.

#### THE LONG AND SHORT HAUL.

The CHAIRMAN. In answer to the first two interrogatories that you consider, you speak of the importance of legislation on the question of long and short hauls, to put it in common language. You think that there ought to be some legislation upon that subject, so as to prevent the charge for short hauls being unreasonably high and for the long ones too low. Is that your idea?

Mr. BRYANT. Yes, sir.

The CHAIRMAN. Do you think there ought to be any legislation that would absolutely prohibit a greater charge for a short than a longer haul but not pro rata according to distance, but in the aggregate?

Mr. BRYANT. I think there should be legislation that would not discriminate entirely in favor of any one particular point; that a shipper should be given some choice of routes. For instance, if he lived 25 miles from a town that was on the river, and wanted to ship his cotton and had no other means of shipping it except by railroad into the town, he should not be charged as much for those 25 miles as he would be if he shipped it to an interior point several hundred miles away over the same railroad.

The CHAIRMAN. You speak of an interior point not on the river?

Mr. BRYANT. Yes, sir; the shipper not residing on the river, but wishing to ship to a river point. There are sometimes reasons why a shipper would prefer a river point. He would perhaps get his supplies to market more quickly, get more safety on the river, or other causes that would make the route by the river preferable. If he were not discriminated against in that way he would then have the choice of routes.

The CHAIRMAN. Take this instance: Suppose there is a railroad, as there are several, running from here to Memphis. Do you think that the Government ought to legislate so that the railroad touching on the river at Memphis and New Orleans, and being 15 or 20 miles away from it, and some of the interior points should not have a right to charge more from Memphis to one of these interior points, say 50 miles back from here, than from Memphis to New Orleans?

Mr. BRYANT. We would only like to answer as it would affect the river interests. Where there is competition between river points we have nothing to say; we will take our chances against railroads. We only wish to answer where the railroads discriminate against river points.

For instance, take Natchez. I cannot give the railroad rate exactly, but I will give it as I think it is. They will charge a shipper 50 cents on a bale of cotton from Natchez to New Orleans by all rail. That is a river point. Yet a man who lives 25 or 30 miles back of Natchez, out in the interior of the State, has to pay \$1.50 from his point to New Orleans by the same railroads. That is what I call discriminating against river points.

The CHAIRMAN. Suppose the railroad did not make that discrimination; in other words, suppose the railroad charged as much from Natchez to New Orleans as it did from the other point, 25 miles out from Natchez to New Orleans, it being about the same distance probably, what would be the result of that to the railroad?

Mr. BRYANT. I will answer for the steamboat rates, because I represent that interest more particularly.

The CHAIRMAN. What would be the result to the steamboat?

Mr. BRYANT. It would put the steamboat in fairer competition with the railroad.

The CHAIRMAN. Not in absolute competition?

Mr. BRYANT. No, sir; because there is a difference on account of insurance in steamboat transportation that regulates the rate in reference to freight.

The CHAIRMAN. But could you not, as a steamboat man, carry that cotton, or whatever product it was, from Natchez to New Orleans at so low a rate as that the railroad could not compete with you if the railroad had to fix the same rate per mile for transportation on all the inland roads running to your city?

Mr. BRYANT. We do not ask that the railroads shall be required to regulate their rates in accordance with those of the river. We only say that, everything being equal, the river can handle freight cheaper than the railroad.

The CHAIRMAN. Unquestionably that is true. How are you going to prohibit the railroad from charging more from that interior point, 25 miles out from Natchez, than from Natchez to New Orleans? It would require legislation fixing a pro rata rate of freight per mile in order to prevent their doing it, would it not?

Mr. BRYANT. There would be some legislation required beyond a doubt. As I stated in the beginning, we hardly came here prepared to make any terms for a railroad.

The CHAIRMAN. I understand, and I am not asking you to do that, but I am trying to find out whether there is any way that the Government could legislate which would not be unfair to the railroad, at the same time that it would be fair to you as steamboat men.

Senator HARRIS. I should like to ask you a question a little broader on the same general idea. Take the common carrier, whether he be a steamboat man, a railroad man, or an ox team man. Allow the common carrier to fix his own rates but with this limitation—at least I want to ask you if it would be wise, in your opinion, to fix this limitation—that he shall not charge more in the aggregate for the short than for the long haul going over the same line and in the same direction. The ox-team man, the railroad man, and the riverman all fix their own rates, of course, with an eye to the competition that exists. Having fixed their rates, would or would it not, in your opinion, be wise to provide by law that neither should charge more for the short than for the long haul over the same line going in the same direction?

Mr. BRYANT. We would answer yes to that.



The CHAIRMAN. You mean that legislation would be required, in your judgment?

Mr. BRYANT. The steamboats do not do that now.

The CHAIRMAN. As a matter of fact do the steamboats always charge in proportion to the distance?

Mr. BRYANT. Yes, sir; they do.

The CHAIRMAN. In all instances?

Mr. BRYANT. In nearly every instance.

The CHAIRMAN. Do you not discriminate between points sometimes?

Mr. BRYANT. We only discriminate where the quantity of freight justifies it. If the boat has to make a landing for a twenty-five cent package, she would charge more in proportion for that one package than if she had to make a dollar or a dollar and a half landing.

The CHAIRMAN. The charge is simply based on the question of cost to the parties operating the steamboat?

Mr. BRYANT. Yes, sir.

Senator HARRIS. You do not mean that you charge the same rate per mile on a shipment by the ton, I mean a large shipment, upon the long that you do upon the short haul?

Mr. BRYANT. We do not charge by the mile; we charge from points. For instance, take Red River. We would charge more from Red River to New Orleans than we would from Coushatta to New Orleans, which is 100 miles below. We make a difference in that distance.

Senator HARRIS. You would charge less per mile upon a shipment from here to Saint Louis than you would charge per mile upon a shipment from here to Vicksburg, I suppose?

Mr. BRYANT. Yes, sir.

The CHAIRMAN. Your rates of freight are largely governed by distance, then?

Mr. BRYANT. In all instances.

#### MISSISSIPPI RIVER STATISTICS.

The CHAIRMAN. Have you gentlemen any figures showing the amount of business done upon the Mississippi River?

Mr. BRYANT. We thought, perhaps, as that had been spoken of so very often, it would not be necessary.

The CHAIRMAN. Mr. Phelps, of the Cotton Exchange, is probably going to furnish us some statistics on that subject.

Mr. BRYANT. He is better authority as to that, perhaps, than we are, because he has the data immediately at hand.

Senator HARRIS. We should like to approximate as nearly as possible the proportion of business in New Orleans, for instance, that comes and goes by river and by rail.

The CHAIRMAN. What is your judgment as a man engaged in steamboat transportation, as to the influence of the Mississippi River upon the question of the rate of freight transportation not only on the railroads running parallel with the river, but running east and west, say from here to New York, for instance?

Mr. BRYANT. We answer that in the written communication we have submitted. We claim that the river is one of the only two, if not the main means of cheap transportation; that it is a check on excessive rates. We answer that in the first part of our paper.

The CHAIRMAN. Mr. Fink states, I believe, that the lakes, the Mississippi River, and the Erie Canal affect the rates of transportation all over the country, more or less.

Mr. BRYANT. We claim that our waterways in the Mississippi Valley affect the rates in all parts of the valley.

The CHAIRMAN. What is the condition of the Mississippi River now?

Mr. BRYANT. I should like Captain Woods to answer that.

The CHAIRMAN. I will defer that question then, and ask one of the other gentlemen. Do you think of anything further that you wish to state?

Mr. BRYANT. We have nothing to do with railroads, and therefore we would not like to answer any questions regarding them.

### J. B. WOODS'S STATEMENT.

J. B. WOODS appeared.

The CHAIRMAN. You are engaged in steamboat transportation?

Mr. WOODS. Yes, sir; I am the agent of the Saint Louis and New Orleans Anchor Line, running between New Orleans and Saint Louis.

### THE MISSISSIPPI RIVER.

The CHAIRMAN. What is the condition of the river now?

Mr. WOODS. It is not in a very good condition. There are many points between here and Saint Louis that need a great deal of work yet. There has been some good work done. I think some points on the river have been very much improved indeed.

The CHAIRMAN. Have you any difficulty in running your steamboats all the year round, except while the river is frozen at the north?

Mr. WOODS. We have had in the last six weeks pretty low water between Saint Louis and Memphis, but recently there has been a fair stage of water. Our boats cannot come out of Saint Louis full loaded however.

The CHAIRMAN. Is there anything the Government can do to improve the condition of the river?

Mr. WOODS. Yes, sir; there are a great many points that could be very much improved, and there are some that have been improved materially, I think.

The CHAIRMAN. Are there any that would affect this stage of water that is in the river.

Mr. WOODS. No, I do not think as a general thing the improvements that are going on now will give us an increased stage of water; but there are portions of the river within a compass of 800 miles from Saint Louis where it is very difficult for a boat to get over with the cargo she might start from Saint Louis with. It is just those particular points that want works established to cut away bars.

The CHAIRMAN. If the bars were kept cut away, would you have any difficulty at any time in having a sufficient stage of water?

Mr. WOODS. We have more trouble with the snags and logs and things of that kind that are buried in the bottom of the river, which ought to be removed.

Senator HARRIS. Has the navigation of the river improved more rapidly or less rapidly since the organization of what is known as the Mississippi River Commission?

Mr. WOODS. My experience is that it has improved materially since they have commenced their works, but then you see, they have only worked in three or four localities.

Senator HARRIS. Has it improved more rapidly than it did before, or do you mean that it had not improved at all before?

Mr. WOODS. It had not improved at all before; was getting worse. There were points, like one about a hundred miles above Memphis, where there are works now, and a boat could leave St. Louis drawing 2 feet more water than she could get over that place with. That is Bulletin Head, about a hundred miles above Memphis.

Senator HARRIS. You are aware that before the formation of the Mississippi River Commission it was the custom of Congress to make appropriations in the river and harbor bills for the improvement of the Mississippi River as other waterways, and those appropriations were expended under the direction of an engineer officer. Hence there was what purported to be a system of improvement going on all the time on the river.

Mr. WOODS. I think that only applied to extracting snags and logs and things of that kind out of the immediate channel, never with regard to improving the channel.

Mr. B. D. WOOD. With the exception of the work between Cairo and St. Louis. That work was done prior to the formation of the commission.

Mr. WOODS. I do not remember about that.

Senator HARRIS. You think then the Mississippi River Commission has had a beneficial effect on the navigation of that stream?

Mr. WOODS. I think so.

The CHAIRMAN. Do you believe they have adopted the best system of improving the river?

Mr. WOODS. I think there are some ways in which they might have improved on their present method. There are some points where I think their manner of dealing with the river has not had the effect that was designed.

The CHAIRMAN. Do you think the work ought to go on as they have been conducting it?

Mr. WOODS. I think there might be some little improvement in that way.

The CHAIRMAN. What is the condition of the river from here to the Gulf?

Mr. WOODS. Plenty of water.

The CHAIRMAN. Is there any trouble about the outlet?

Mr. WOODS. No, sir, not at all; it is deep river between here and the outlet.

The CHAIRMAN. Do deep river steamers come up to New Orleans now?

Mr. WOODS. They have no trouble at all.

The CHAIRMAN. That is the result of Captain Eads's work at the mouth.

Mr. WOODS. Oh, yes, sir, undoubtedly. Vessels never crossed the bar before as they do to-day.

The CHAIRMAN. Is there any indication that it is liable to fill up there?

Mr. WOODS. I think not.

The CHAIRMAN. When the work stops?

Mr. WOODS. I think not.

The CHAIRMAN. It clears itself?

Mr. WOODS. I have heard it so asserted, but the facts I believe do not bear it out.

Senator HARRIS. You think the Eads jetties at the mouth have been and are a perfect success?

Mr. WOODS. They are a perfect success. It may require a little dredging and a very small expenditure occasionally, but as a general thing it is a perfect success.

The CHAIRMAN. Something you never had before?

Mr. WOODS. What we never had before.

#### COMPETITION BETWEEN RAIL AND WATER ROUTES.

The CHAIRMAN. Do you think there is much competition actually with railroads along the line of the river?

Mr. WOODS. Yes, sir, plenty of it.

Senator HARRIS. As a river man you might think possibly that a very small quantity would be plenty.

The CHAIRMAN. You get all you can do, do you not?

Mr. WOODS. No, not now. We have all we can do some seasons of the year.

The CHAIRMAN. Can you not, as a steamboat man, carry freight cheaper than a railroad can afford to carry it?

Mr. WOODS. Yes, we could if they would put themselves on the same basis to a certain extent.

The CHAIRMAN. What do you mean by that?

Mr. WOODS. You asked a question a while ago that I should like to reply to here. Natchez was the point you spoke of. Your question was, could not steamboats carry cotton from Natchez and compete with the railroads. I say no, and for this reason: If A is a shipper at Natchez and B is out at the point where the junction forms with the railroads from Memphis to New Orleans, and if A can ship his cotton from Natchez at 50 cents and B, who lives out 35 or 40 miles towards New Orleans, has to pay \$1.50 a bale, that \$1.50 helps the railroad to put down the price and carry comparatively for nothing from the competing point.

The CHAIRMAN. Suppose the railroad company should carry cotton from Natchez at just what it costs for the actual transportation, could you not carry it as low and make some money?

Mr. WOODS. No; not make any money, or very little at least. When you come to count the cost of the steamboat and the wear and tear and the insurance there would not be much left at the end of the year if we had to work in that way; whereas if we had another point by which we could discriminate and make some other parties pay us a big price, outside of this taking for a low rate from Natchez, we could do it.

The CHAIRMAN. You have no opportunity of recouping from anybody else?

Mr. WOODS. We cannot do it.

The CHAIRMAN. Are there any points along the river where you stop for freight where there is no railroad?

Mr. WOODS. There are some points, but we have to go in strict justice at a reasonable rate.

The CHAIRMAN. You undertake to run your business on the basis of fairness to everybody alike?

Mr. WOODS. We could not do otherwise. We did that when we had no railroad competition. I steamboated from Saint Louis to New Orleans several years before the war, and when we did not have these railroads at river points, and we did not get any better rates than we do to-day.

The CHAIRMAN. Suppose a railroad company, in order to get business in competition with your steamboats, should actually carry freight at but a little more than the cost of transportation from the competing

points on the river, and only charge a reasonable rate from the interior points—I do not say now that they are not charging an extortionate price from interior points—do you think we ought to legislate so as to require that they should charge no less at the river than at those points in the interior?

Mr. WOODS. Leaving out of consideration the river transportation entirely, does it not look as if it were an injustice to the people themselves, the shippers?

The CHAIRMAN. It would certainly be an injustice if the railroads extorted from the people at the interior points; but if they do not charge any more than a reasonable rate from those points, and charge a little more than would pay the expenses from the river points, would it be unfair to the people at the interior points?

Mr. WOODS. It would not be so much out of the way, but just take Memphis. I can take cotton to-day by rail to New Orleans for \$1 a bale, while if I live 50 or 75 miles above here I have got to pay \$2.50.

The CHAIRMAN. What do you charge from Memphis to New Orleans?

Mr. WOODS. A dollar a bale.

The CHAIRMAN. Do the railroads take cotton at the same price?

Mr. WOODS. At the same price, but they have the advantage of the difference in insurance. We have to pay the insurance on ours, so they get the preference. That is really as low as cotton could very well be carried.

The CHAIRMAN. Suppose the railroads could not carry it at any less than \$1 and pay running expenses, the result of it would be that you would get the cotton, and the result of that to the railroad would be that they would get no business at Memphis in that article; and would they not, as a matter of fact, probably in order to sustain their railroad, have to charge more still to carry cotton from the interior points?

Mr. WOODS. That is a question. The people who live along the line of road anywhere back of Memphis are unfortunate in living there, that is all. They ought to live on the river. Of course you see what it is all done for. It is simply to compete with the river route. If they will carry cotton for 50 cents a bale from Memphis, and if they will do the same thing all along the line I have not a word to say to that.

The CHAIRMAN. All along the line of their road?

Mr. WOODS. All along. Their object is simply to take away from river transportation.

The CHAIRMAN. Suppose they do not charge an unreasonable rate to the man out in the interior, what is it your business whether they charge \$2 or \$1?

Mr. WOODS. It is not our business.

The CHAIRMAN. I am not indicating my own opinion; I am trying to get out of you all the reasons you have.

Mr. WOODS. As it is now they may charge all they can get on their interior lines if they choose. It is a matter of policy and strict integrity too.

The CHAIRMAN. They have no right to extort an unreasonable rate from anybody at non-competing points or anywhere else.

Mr. WOODS. None of us will accept the doctrine that \$2.50 a bale for 50, 60, or 80 miles above here is not an extortion.

The CHAIRMAN. Your judgment is that that is extortion from those people?

Mr. WOODS. Considering the rate at which the railroads bring cotton from farther up the river. Now I will give you another point. Take Natchez as a basis. The line from Saint Louis to New Orleans brings

freight at a certain rate, we will say, from Saint Louis to New Orleans direct. I do not remember, unfortunately, the name of the point where they turn to go off to Natchez; it is the connecting line, at any rate. They will charge a certain figure to the point where the road connects with the little road they built into Natchez. I am speaking of Natchez as the point merely because we have been discussing it. They will bring the freight to that little town, the connecting point, at a certain rate, and they will take it into Natchez, sign a through bill of lading from Saint Louis, at a less rate than they will charge to put it off out at the other point. Why? Because the river route would get it. That is not business and it is working an injustice, I think. The Government has made donations to nearly all the roads that run to the interior and that gives them a sufficient advantage, it seems to me.

The CHAIRMAN. Has the Government contributed to build all those roads?

Mr. WOODS. They all got so much land along the line of railroad that it amounts to the same thing.

The CHAIRMAN. Are any of those roads subsidized?

Senator HARRIS. Yes, all the railroads that have been run through land States. In my State, for instance, the Government owned no land and had nothing to give; but in Mississippi, Alabama, and all the land States, the Government did not deal with the roads as it did with those in the good State of Illinois; it did not give them everything along the line of the road, but it did as well as it could with the small amount of land owned by it.

Mr. WOODS. Yet you do not see the Government making any contributions to water transportation lines enabling them to put stock on the river.

The CHAIRMAN. As a matter of fact if the Government will improve its waterways can you not take care of yourselves in spite of any railroad?

Mr. WOODS. We shall have to do it, but it is a very unjust discrimination if the railroads are allowed to carry freights from the competing points at the rate they do, and are able to do it by making it up from interior points.

The CHAIRMAN. No railroad or common carrier has a right to extort from one and then recoup the difference from another.

Mr. WOODS. I think it is a great injustice.

The CHAIRMAN. That is a clear proposition, but it is a debatable question whether if a railroad touches a competing point on a waterway with steamboat lines it has not the right to charge any sum as low down as the cost of the transportation in order to get business in competition with the steamboats, provided it does not recoup and extort from people outside of those competing points.

Mr. WOODS. If they will carry it all at the same rate we do not object.

The CHAIRMAN. Are you clear that they ought to carry it at the same rate from the interior points?

Mr. WOODS. I do not say that they should entirely, if they would make a reasonable distinction, but the first thing they do is to put it down at a figure where the water transportation is just barely living and then comes in the insurance, which is the little balance over on the other side of the lever, and throws it their way.

The CHAIRMAN. It is the straw that breaks the camel's back.

Mr. WOODS. Yes; the straw that breaks the camel's back. We

have no right to say what they shall charge for cotton along in the interior. We cannot reach them there.

The CHAIRMAN. A citizen of the United States should have the right to ask for legislation that will prevent extortion from people or unjust discrimination anywhere.

Mr. WOODS. I so consider it.

#### THE SHORT AND LONG HAUL.

Senator HARRIS. I infer from what you have already said that you believe it would be wise and proper to prohibit by law the common carrier, no matter of what character, charging more for the short than the long haul going over the same line in the same direction.

Mr. WOODS. I will make an explanation with regard to river carriage on a point to which Mr. Bryant alluded. Take our line: In coming down the river we have to charge a little extra for way freight, freight we put off at plantation landings. Why? We have got to leave our stowage room open to get at that freight. When we land to put off the freight we are still consuming fuel, and it costs us more to put freight out at way points than it does to bring it to New Orleans. Railroad freights are very different from steamboat freights. Our cargo is all in one volume.

Senator HARRIS. Your explanation refers to terminal charges purely?

Mr. WOODS. Yes, sir; terminal charges.

Senator HARRIS. But I speak of the haul; I speak of the carriage. In the case that this gentleman gave a moment since where you have to land to take a 25-cent package, you are not paid for landing to get that package, of course.

Mr. WOODS. No, sir; it will not do.

Senator HARRIS. But I speak of the larger transaction and the carrying of freight. Would it be fair, right, and proper, to prohibit by law the charging of more in the aggregate for the shorter distance than the longer distance, going over the same line and in the same direction, wholly independent of terminal charges?

Mr. WOODS. The only answer I could make to that would be in regard to leaving the stowage open in order to put off any way freights. I would charge more for some plantation landing to put off even an amount that would actually pay the expense of putting off than I would to take it to Saint Louis. I would rather take it to Saint Louis at a less rate, but as a general thing the rate should be governed by the length of the haul. For instance, we charge a certain rate from here to Memphis by river; we charge an additional rate from here to Cairo; and then we charge an additional rate to Saint Louis. The only point where the river transportation would charge more is on small shipments as we come down the river to plantation landings.

The CHAIRMAN. What do you charge for the transportation of a hog-head of sugar from here to Natchez?

Mr. WOODS. From \$1 to \$1.25.

The CHAIRMAN. What do you charge from here to Saint Louis?

Mr. WOODS. About \$1.75 or \$2.

The CHAIRMAN. What is the difference in distance?

Mr. WOODS. It is about 400 miles to Natchez, and it is 1,200 miles to Saint Louis.

The CHAIRMAN. Is it 400 miles to Natchez?

Mr. WOODS. Yes, sir; by the river. Since the advent of railroads there is not much carrying by river to a point like Natchez. Where the

railroads strike the river, the first dab they make is to take freights for almost nothing so as to drive river competition out, and let the people know that they are there.

The CHAIRMAN. After that they take what they can get?

Mr. WOODS. Yes, sir; if anything should happen to stop the river transportation, the rates to those river points soon jump up. We have evidence of that every winter. When the river freezes up at Saint Louis and our boats and barges cannot go there, the railroad rates jump up 50 per cent. That shows what an important factor the river is in keeping equitable rates.

#### POOLING ARRANGEMENTS.

Senator HARRIS. What is your opinion upon the somewhat fashionable system of pooling on the part of transportation companies? Do you think it would be wise to legalize pooling contracts, or to prohibit them altogether?

Mr. WOODS. I do not know that I would be prepared to give an opinion on that matter. Of course we all know the object of pooling. It is where several competing lines running to the same point get to cutting one another so that they come down to a rate below a point where any of them can live, and each one keeps struggling, and thinks it can get its head above the water after awhile or that something will turn up to drive the others off, and they simply pool to establish an equitable rate, so far as I have heard. In that case I do not see any objection to it. I have never belonged to any pool. We have never had anything of the kind on our rivers.

Senator HARRIS. The object is to destroy competition, necessarily.

Mr. WOODS. But you see competition sometimes goes to an insane length.

Senator HARRIS. Competition sometimes competes?

Mr. WOODS. Yes, sir; and they generally go on until one side or the other is completely incapacitated, and then they come together and make some terms. I have never heard of any pooling by which they held up an excessive rate of freight; it was simply to establish what would be considered an equitable rate that all should maintain and each one get what share of the business it could.

Senator HARRIS. Still the pooling contract where it exists at all is a contract between common carriers on one side——

Mr. WOODS. Yes, sir.

Senator HARRIS. The conflicting interest, the shipper, the other party, is not represented in the pooling contract at all?

Mr. WOODS. That is very true.

Senator HARRIS. And whatever that contract may be, whether fair or unfair, it is an *ex-parte* contract on the part of the carrier; the interest upon the other side is wholly unrepresented in it?

Mr. WOODS. Yes, sir.

Senator HARRIS. And the tendency is to place the shipper at the mercy of a combination of common carriers?

Mr. WOODS. That would be the tendency. It can be abused.

The CHAIRMAN. Suppose there was some sort of government authority authorized to supervise and have some kind of control, with the power to examine into all such contracts, would it or not, in your judgment, be unsafe to allow these pooling contracts to exist?

Mr. WOODS. I would not like to give an opinion on that subject for I never studied into it. I have never been connected with anything of the kind.



The CHAIRMAN. Is it not your judgment that in the interest of the business community the rates should be stable rather than that they should be fluctuating, very low one month or one period, and very high possibly another?

Mr. WOODS. Yes, sir; unquestionably they should be stable. There is no doubt about it at all.

The CHAIRMAN. Anything that makes rates stable and that does not permit them to be excessive would be in the interest of the business of the country, would it not?

Mr. WOODS. I think so, decidedly. I have had merchants to tell me time and again that if it could be done, they would rather pay twice the rate above what we were asking them, if it could be continued through any length of time, so that they would know. One party may buy a lot of goods one day and ship it, and two or three days afterwards the rate may go up or go down, and it disarranges the whole thing.

#### PUBLICITY OF RATES.

The CHAIRMAN. Do you see any reason why publicity of rates should not be required of railroads and all common carriers?

Mr. WOODS. I do not see why it should not be required. The people generally know our rate very well.

The CHAIRMAN. You have published rates, do you not?

Mr. WOODS. No, sir; not published rates.

The CHAIRMAN. But everybody understands what they are.

Mr. WOODS. The steamboat rates were published here some time back, but it is not generally done. However, it is a public thing. We generally have printed tariffs which we give out to any one who wishes them.

Senator HARRIS. Still under your system of business, notwithstanding you have well understood or printed tariffs, there is no reason why you may not make special rates for a shipment to Saint Louis?

Mr. WOODS. No, sir.

The CHAIRMAN. Do you, as a matter of fact, make them?

Mr. WOODS. We have not had an opportunity for a long time to make any special rates.

The CHAIRMAN. You have had an opportunity to make rates of some sort.

Mr. WOODS. We have been carrying freights so low as a general thing that there is no room for a special rate.

The CHAIRMAN. What would you think about a provision of law requiring publicity of rates for all common carriers and requiring a given length of time of notice before a change?

Mr. WOODS. I think that would be entirely proper.

Senator HARRIS. And in the strongest terms and by penalties enforce the absolute adherence to the published rates until they are so changed?

Mr. WOODS. Until the time expires of which they give proper notice, I would say.

#### REBATES AND DRAWBACKS.

The CHAIRMAN. I suppose in your steamboat business you do not have much rebating.

Mr. WOODS. No, sir.

The CHAIRMAN. You would not object to any provisions of law that would prohibit the payment of rebates and drawbacks?

Mr. WOODS. I would not. If such a law should be enforced, it would be just what we should like to see. If it could be enforced, I would certainly indorse anything of the kind.

#### RIVER BUSINESS.

The CHAIRMAN. Is the business on the Mississippi River growing less or greater?

Mr. WOODS. I think this last year it has visibly declined with us.

The CHAIRMAN. What is your explanation of that?

Mr. WOODS. There has been the same quantity of freight to go, but there are so many different lines of railroad that the railroads have taken a great deal from the river.

The CHAIRMAN. So you think it has really been running down?

Mr. WOODS. I think so.

The CHAIRMAN. Two years ago Gould made a good deal of stir about the shipment of grain and heavy products from Saint Louis this way, and for a time there was a good deal shipped, I think. I do not know whether it has kept up or not.

Mr. WOODS. No, sir; it has not been kept up, and the reason, which is a very forcible one, too, that I have heard given for it is the cheap rates across the trunk roads to New York and the great demand there for freight from the immense passenger steamers running to Liverpool. I have known of instances where they actually paid the transfer from the railroad depots to their docks for bulk grain and carried it across for nothing to get the grain for ballast. That I know to be the case.

The CHAIRMAN. For foreign shipment?

Mr. WOODS. They did not do it for business.

The CHAIRMAN. The steamers did that?

Mr. WOODS. The steamers did it. That has diverted a great deal of bulk grain from the Northwest.

The CHAIRMAN. Is there a line of steamers running between here and Liverpool?

Mr. WOODS. Yes, sir; we have four or five lines of fine steamers here.

The CHAIRMAN. Are there always steamers here at your docks from that port?

Mr. WOODS. Yes, sir; we have steamers here the year round, but we never had before we had the jetties.

#### RATES OF FREIGHT TO LIVERPOOL.

Senator HARRIS. What is the difference in freight rates between New Orleans and Liverpool and New York and Liverpool?

Mr. WOODS. I am not posted as to the difference, but there is a difference. They ship much cheaper from New York than they do from here.

Senator HARRIS. Necessarily; the line is much shorter.

Mr. WOODS. Not only that, but the reason I gave, on account of the increased size of ships that are running between Liverpool and New York. They require so much that it is important for them to have the ballast, whether they can get anything for carrying it or not, and they must necessarily carry freights very low in order to get that ballast. That is what works against us. That, I think, has diverted a great deal of bulk grain that would otherwise come down the Mississippi River.

The CHAIRMAN. Do your steamers here need any such ballast?

Mr. WOODS. They have got to have ballast, but they always get pretty fair freights here.

Senator HARRIS. I suppose the competition of the Kansas City and Memphis Railroad has cut off a great deal of river traffic between Saint Louis and New Orleans?

Mr. WOODS. A great deal; there is an immense drain in that direction.

The CHAIRMAN. Is there anything further you would like to suggest to the committee?

Mr. WOODS. I do not know of anything further

### B. D. WOOD'S STATEMENT.

B. D. WOOD appeared.

Senator HARRIS. You are a business man here?

Mr. WOOD. Yes, sir.

Senator HARRIS. The general views expressed by the gentlemen who have appeared here to-day I presume correspond with your own views on this question?

Mr. WOOD. Yes, sir; exactly. I am engaged in the coal business, running a large amount of coal from Pittsburgh to New Orleans, and sell it here to the ocean steamships and steamboats, &c.

The CHAIRMAN. Are you in favor of any legislation that would prevent you from getting the lowest possible rate on the long haul from Pittsburgh here?

Mr. WOOD. We haul it all ourselves.

Senator HARRIS. Do you bring coal in barges which you carry back up the river, or do you adopt the old flat-boat plan of bringing the boat down here and disposing of the cargo, boat and all?

Mr. WOOD. We do that to a large extent here, but since we have put large, powerful steamboats in the business we tow a great many of them back. We cannot, of course, take all back that we bring down. We have got to get rid of at least one-third of them here. We come down the river with from twenty-six to thirty-five boats, and we cannot tow so many back.

The CHAIRMAN. How much coal?

Mr. WOOD. We have boats that bring from 500,000 up to 650,000 bushels at a tow, or from 20,000 to 23,000 tons. We bring that much down in one tow.

The CHAIRMAN. So you have no competition in that business?

Mr. WOOD. No, sir.

The CHAIRMAN. You do not ask any odds of the railroads?

Mr. WOOD. No, sir.

### EFFECT OF OHIO RIVER BRIDGES.

The CHAIRMAN. You have been an advocate of the improvement of the Mississippi River and waterways generally?

Mr. WOOD. Yes, sir.

The CHAIRMAN. What is the condition of the Ohio River now?

Mr. WOOD. I am not very well posted in regard to that stream, as I make my home at this end of the line altogether. However, I hear our people complain more particularly about the number of bridges that are

being stretched across the river. You understand that in our business we come down in immense fleets, different from single steamboats.

The CHAIRMAN. Too wide for the spans?

Mr. WOOD. Yes, sir; too wide for the spans.

Senator HARRIS. So you think the bridge matter ought to be regulated, or else you ought to be forbidden to widen out so much?

Mr. WOOD. We should have either wider spans or narrower tows.

The CHAIRMAN. How many boats do you run side by side?

Mr. WOOD. From five to eight wide. Twenty-six feet is the width of our boats. Then they are 700 or 750 feet long, drawing about  $7\frac{1}{2}$  feet of water.

The CHAIRMAN. What is the width of the span generally?

Mr. WOOD. I think the narrowest span we have in the Ohio River is at Steubenville bridge, about 300 feet, but of course we do not bring such tows as I speak of down the Ohio River; we have got to double up below the falls. We bring smaller tows there. I was speaking of our Mississippi River tows. The greatest benefit the Government has been to the river is the Government lights along the river. The lighting has been one of the grandest things the Government has ever done for the river. To put the snag-boats in operation and tear out the snags and sunken logs is a great benefit to navigation.

#### THE LEVEE SYSTEM.

The CHAIRMAN. As a riverman, do you think much can be done toward deepening the channel by a system of levees?

Mr. WOOD. Yes, sir.

The CHAIRMAN. You think that would be a means of improving the navigation?

Mr. WOOD. Yes, sir. I hold the opinion that to confine the water within its banks will deepen its channel.

Senator HARRIS. Increase the current and it will scour out?

Mr. WOOD. Yes, sir; it will scour out.

The CHAIRMAN. Does all the coal you use here come from Pittsburgh and the part of the country adjacent to it?

Mr. WOOD. Principally. We have a considerable amount of coal that comes here from Alabama since the development of the coal regions there. That comes here by rail.

The CHAIRMAN. Do you use anthracite entirely or soft coal?

Mr. WOOD. We use here principally in our business Pittsburgh coal, which is bituminous coal. We use a great deal of anthracite, but that we bring here by sailing vessels from Philadelphia and New York.

The committee adjourned to meet at 12 m. to-morrow.

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#### ASHTON PHELPS'S STATEMENT.

NEW ORLEANS, LA., *November 17, 1885.*

The committee met pursuant to adjournment.

ASHTON PHELPS appeared.

Mr. PHELPS. I had a meeting of my committee on transportation of the Cotton Exchange this morning and laid your printed questions before them. We discussed them, and arrived at an agreement as to our

views on those questions. I have just come from the meeting of the board of directors of the Cotton Exchange, and they authorized me to say that they coincide in those views. I have got, as far as I could, the rates on the different railroads tributary to New Orleans, thinking that perhaps they might be of some interest to the committee.

Senator HARRIS. Do you know whether Mr. Jonas has seen or notified any of the railroad men here?

Mr. PHELPS. No, sir, I do not; and I question very much whether they will take any action in appearing before your committee, from the simple fact that the control of all the railroads, I may say, centering here is vested somewhere else, and they have to go elsewhere for instructions.

#### EXTORTION AND UNJUST DISCRIMINATION.

The first question I see on the list here is as to "the best method of preventing the practice of extortion and unjust discrimination by corporations engaged in interstate commerce." The committee desire me to say that they do not feel able to answer that question directly; that they consider that to be a matter which will have to be provided for when Congress comes to actual legislation on the subject. Of course, it would require to a certain extent a knowledge of the methods of transportation, and the cost of transportation, and all the details appertaining to it, which could only be possessed by experts.

#### REASONABLENESS OF RATES.

The second question is as to "the reasonableness of the rates now charged by such corporations for local and through traffic." That, of course, is a question which can only be answered by the railroad tariffs themselves. It would take time to go into all these details, but I will give you an instance of the way the rates range. The freight on cotton from Shreveport to New Orleans, uncompressed, is \$2 a bale. I suppose the distance from here to Shreveport is about 350 miles. The charge to New York, compressed, by rail, is 85 cents a hundred pounds, which would be about \$4 a bale.

The CHAIRMAN. Is there any particular rate you are talking about now, or the general rate?

Mr. PHELPS. It is the general rate out of Shreveport.

Senator HARRIS. Both being rail rates?

Mr. PHELPS. All rail, both rates. This is from Shreveport to New Orleans, over the Texas Pacific road; and out of Shreveport it must be either the Texas Pacific or the Air Line system, because they are the only two roads out of Shreveport by which you can reach New York. Now let me see the Illinois Central rates. Here are the rates, for instance, of the Illinois Central Railroad. Here is a rate from East Cairo, Ky., to New Orleans, \$3 a bale. Here is a rate from Goodman, Miss., which is in North Mississippi, \$2.95 a bale. I do not know the exact distance, but it is probably 400 miles from New Orleans. That is 5 cents difference from East Cairo, Ky. I will find you another rate. Here is a rate from Kosciusko, Miss. (which is on a branch of the road from Goodman), \$3.10. That is, it costs 10 cents more to bring a bale of cotton from there than it costs to bring it from Cairo here.

The CHAIRMAN. Not over half the distance.

Mr. PHELPS. About half the distance, I should think. I could, of course, go into any number of these things, but the general principle is the same. The fact is that they regulate the freight to suit themselves.

Senator HARRIS. East Cairo is a competing point?

Mr. PHELPS. Yes, sir; a competing point.

Senator HARRIS. Where the railroad competes with the river?

Mr. PHELPS. Yes, sir; I will give you two points on the road where there is no competition. I will read you a communication which our committee has received from a party at Aberdeen, Miss., which will give you the situation in certain cases, showing how the thing stands there:

ABERDEEN, MISS., November 13, 1885.

H. G. HESTER, Esq.,

*Superintendent Cotton Exchange, New Orleans:*

DEAR SIR: From slip cut from the Memphis Appeal of yesterday, and herewith inclosed you, it will be seen that the Senate Interstate Committee was about to meet in that city at the Gayoso House.

It calls the attention of the merchants and managers of railroads and steamboat lines and all other transportation agents to the fact and calls on all of them to give in their testimony, and aid said committee in obtaining a correct report.

As same committee will doubtless soon be in New Orleans for the purpose of collecting additional information, we would most respectfully ask you to call the attention of such committee to the discriminations made against New Orleans and Mobile by the Orleans and Aberdeen road (branch of the Illinois Central Railroad) and the Mobile and Ohio Railroad.

They both touch at Aberdeen. They cross there. Then he goes into a history of the Illinois Railroad, which will not be at all interesting.

This road since reaching Aberdeen has raised price of cotton freights to New Orleans from \$2.25 per bale on compressed cottons to \$3 per bale, so as virtually to estop shipments going to New Orleans, our natural market, and give them (Illinois Central Railroad) the carrying trade north, via Durant and Chicago, on North and East.

Mobile and Ohio Railroad, acting in conjunction with them, have also raised freights from \$2.25 to \$3 on compressed cottons and \$3.50 on uncompressed cottons to New Orleans.

Their route is by way of Mobile, and the Louisville and Nashville here.

The Mobile and Ohio road, at the expense of Mobile, is still further delivering its cotton from Enterprise, Meridian, West Point, Tupelo, Baldwin, and Corinth, to Illinois Central at Cairo, to be carried thence North and East via Chicago and Canada. We only ask you to aid us in getting freights back to where they were formerly, and to where they originally belonged, and to allow no discriminations on uncompressed cottons over 25 cents per bale.

I question very much whether that is reasonable. I think probably it ought to allow at least the difference in cost of compressing, which they ordinarily get back. They do if they deliver it to a ship here; the ship pays them back the cost of compressing.

Furthermore, we would ask the transportation committee of the New Orleans Cotton Exchange to call the attention of the national interstate committee to the facts that the Illinois Central Railroad is now carrying cotton from Memphis to New Orleans (uncompressed) at \$1.35 per bale and (compressed) at \$1.

Memphis is a competing point. Of course, there they have got to meet the river and the other railroads.

Senator HARRIS. He seems not to give the rate from Aberdeen, for instance, to the Eastern markets.

Mr. PHELPS. No.

The CHAIRMAN. He speaks of freight to go north to Chicago, and from there east.

Senator HARRIS. They raised freights south to New Orleans, the tendency of which is to drive them east, but it does not give the eastern rates.

Mr. PHELPS. I remember very well when the transportation com-

mittee of the Cotton Exchange was first organized one of the first cases that came up was this Aberdeen case.

The CHAIRMAN. How long ago was that?

Mr. PHELPS. It has been six or eight months ago, probably early last summer. The committee went to Mr. Morey, the general freight agent of the Illinois Central road, and called his attention to this matter and he said yes, he knew that state of facts existed, but that the Illinois Central road and the Mobile and Ohio road had a traffic arrangement (a pooling arrangement you understand) at Aberdeen by which they had divided the carrying trade, and so made the rates that such and such freight should go one way and such and such freight another, and he was simply carrying out that traffic arrangement, and he could not go behind it.

Senator HARRIS. Who is the writer of the letter from which you quoted?

Mr. PHELPS. R. T. Saunders. I give those few rates as showing the state of affairs existing. Of course it would take days to go into all the varieties of rates to all the railroad points of the South. The general principle of course is the same. The fact is that they regulate things as suits them best. That is what they tell you whenever you go to them, as a rule. They will tell you that of course they manage this property as it seems best to them as railroad men, and that they are managing it for the benefit of the owners.

The CHAIRMAN. They do not understand that they occupy the position of common carriers?

Mr. PHELPS. Not as common carriers.

The CHAIRMAN. They occupy a different relation to the public from what the private citizen does.

Mr. PHELPS. They seem to think that it is a private business. Of course that would be the case if every man had a right to run trains over their highway, but as that cannot be done, for an inland town it is a pretty desperate condition in some instances.

#### REASONABLENESS OF RATES.

I was instructed in regard to question 2 not to make any specific answer, but simply to say that it is a matter which can only be determined by the rates themselves.

#### PUBLICITY OF RATES AND CHANGES.

The third question is:

Whether publicity of rates should be required by law.

On that question we are emphatically of the opinion that publicity should be required. Every man should know what rate of freight is charged.

The CHAIRMAN. Was the question suggested in your organization whether notice should be given before any change of rates should be allowed.

Mr. PHELPS. Yes, sir. The second branch of the third question is "whether changes of rates without public notice should be prohibited, and the best method of securing uniformity and stability of rates." The committee was decidedly of opinion that due notice should be given to the public of any change of rates.

Senator HARRIS. Did your committee express any opinion as to what would be due notice?

Mr. PHELPS. About fifteen days, we thought, as a rule, would be due notice.

#### MAXIMUM AND MINIMUM RATES.

The fourth question is as to "the advisability of establishing a system of maximum and minimum rates for the transportation of interstate commerce." On that we decline to express a direct opinion as coming more specially within the province of experts.

#### FACTORS IN FIXING RATES.

(5) The elements of cost, the conditions of business, and the other factors that should be considered in fixing the tariffs on interstate traffic.

The committee desires to make the same answer to that question. It must, of course, be considered by experts.

#### REBATES AND DRAWBACKS.

The sixth question is:

Should any system of rebates and drawbacks be allowed? If so, should such transactions be regulated by law and be subject to official inspection or approval, or should they be entirely prohibited?

The committee has instructed me to include my answer to that question in my answer to question No. 9, which covers substantially the same ground.

#### POOLING ARRANGEMENTS.

(7) Should pooling contracts and agreements between railroads doing an interstate business be permitted, or should they be entirely prohibited by law? If they should be regulated by law, would it be sufficient to require the terms of such agreements to be made public and subject to official approval?

We think that this whole matter ought to be regulated by law.

Senator HARRIS. Do I understand you by your answer to mean that your committee think pooling contracts should be legalized?

Mr. PHELPS. No, sir.

Senator HARRIS. Or prohibited?

Mr. PHELPS. No, sir; but we think that at competing points, for instance, the rates should be arranged equitably, and that the tariff of rates should be published so that all the world would know it, and then, of course, any man could choose what route he wanted to ship his freight by.

#### SELECTION OF LINES.

The eighth question is:

Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments shall be transported?

We answer yes, that there should.

#### UNIFORMITY OF RATES.

The ninth question is:

By what method can a uniform system of rates for the transportation of passengers and freights by all the corporations engaged in interstate commerce be best secured?

We consider that that can only be answered by expert testimony.



## THE LONG AND SHORT HAUL.

(10) Should corporations engaged in interstate commerce be permitted to charge a lower proportionate rate for a long than for a short haul? Does the public interest require any legislation on that subject?

We also return the same answer to that, that the proportionate cost of a long and a short haul is a matter which can only be determined by men who know railroad business thoroughly.

The CHAIRMAN. Right on that point, changing the interrogatory a little, what is your opinion as to the propriety of legislation prohibiting a greater charge in the aggregate for a short than a longer distance on the same railroad and going in the same direction?

Mr. PHELPS. That, I think, is a question which appeals to railroad experts, to men who know railroad business thoroughly. There is no doubt but that in certain cases the relative cost between a short haul and a long haul is less on the long haul, because the terminal charges are relatively less on the larger amount of produce.

Senator HARRIS. But the question as shaped by the chairman at this moment is not a proportionate charge, but an aggregate charge. From here to Memphis the charge is a dollar to transport a bale of cotton, for instance. Now, suppose you want to ship a bale of cotton to some point half way from here to Memphis, do you think it would be wise and proper to prohibit by law charging more for shipping that bale of cotton over the same line of road and going in the same direction half the distance than would be charged for carrying it the whole distance?

Mr. PHELPS. That is a question I think that would be very hard to answer in a case like Memphis, from the fact that at Memphis there is competition with the river, and if the railroads there made a charge relatively to their local charge, or, I may say, if they charged as much as they would expect to get for hauling the same distance in case of local freight, the result would be that the freight would go by the river; they would lose it altogether.

Senator HARRIS. Suppose it to be required by law that no transportation company shall charge more in the aggregate for the short than for the long haul over the same line and going in the same direction, do you not think that would have a tendency to prevent rate wars at competing points or that it would restrain them to a large extent?

Mr. PHELPS. No doubt it would.

Senator HARRIS. When you know that when you fix your rates at a competing point you are not only fixing them from the competing point to the other terminus, but you are fixing a maximum at least for all charges upon the local traffic, it would have a tendency to prevent rate wars?

Mr. PHELPS. I fancy the consideration in a case like Memphis would be whether you could force the water transportation companies to come in on an equality, but if cotton is brought here from Memphis, as it is all the time, by water, at from 90 cents to \$1 a bale freight, certainly the railroads have got to come down to about a parity with that rate or they will lose the whole freight; it will all come by water. The railroads have got to come down at least to that freight plus the insurance which the shipper has to pay if he ships by water. If they do not come down to that rate, of course the freight will go entirely by water.

Senator HARRIS. Then you doubt whether it would be wise to prohibit a railroad company by law from charging \$1 a bale on cotton from Memphis to New Orleans and \$1.50 or \$2 a bale on cotton from some point half way between to New Orleans?

Mr. PHELPS. I say I doubt the justice of doing that in the case of points like Memphis where the railroads have got to meet with competition like the competition of the Mississippi River.

The CHAIRMAN. It would result, you think, in an absolute prohibition to the railroad from carrying the freight except at a great loss?

Mr. PHELPS. Undoubtedly, at those points.

The CHAIRMAN. Would that be in the interest of the people in the interior, who now pay larger rates of freight than are paid at the river competing points? In other words, if a railroad to-day at Memphis, for instance, which carries cotton at \$1 a bale from there here, because it has to do so in order to get any freight to carry of that kind in competition with the steamboats, were to abandon the effort of carrying at \$1 a bale and say, "We shall rely on the interior points for whatever freight we can get to bring to New Orleans," do you think the effect would be that the rates of freight from those interior points would go up or down?

Mr. PHELPS. That would be very hard to say, because I suppose if the Government undertook the regulation of the rates of freight at a point like Memphis, it would also undertake their regulation at all interior points.

The CHAIRMAN. I am not speaking of any Government control at all; I am just speaking of the operation of trade as it is to-day, without control. Would it not operate, in your judgment, to produce a higher rate from the interior points to New Orleans than exists to-day from those interior points?

Mr. PHELPS. Of course it would.

The CHAIRMAN. If they were driven out of Memphis entirely?

Mr. PHELPS. Undoubtedly they would have to make it up somewhere. They would have to pay the fixed charges on their stock.

The CHAIRMAN. So would it be any wrong to the people at the interior points if the Memphis railroads took freight at any price down to the point of just what it cost to carry it, provided they did not extort from the people out in the country?

Mr. PHELPS. I do not exactly understand your question.

The CHAIRMAN. Here is a railroad running from Memphis to New Orleans. Of course if it runs its trains it has got to make enough to run them. A part of its business is obtained at Memphis and a part at the different stations away from the river. If it gets a part of its freight at Memphis, and in order to get it takes it at a price that is just barely paying the expenses of bringing it here, is it any wrong to the people at the interior stations if they have to pay more than is paid at Memphis to bring their freight down here, even though the distance is shorter?

Mr. PHELPS. The question is, by what rule of equity are the people at the interior points made to pay the expense of carrying other people's freight for nothing.

The CHAIRMAN. Of course there is no rule of equity which will make them do that. I am not contending for that, and I am not contending for anything except that I am trying to get your mind upon the different phases of this question to see what you think about it. The people all along the interior on the road want that road. It is a necessity to their business transactions in bringing their freight to New Orleans and taking it to Memphis, back and forth. If they are not extorted from in the rates of transportation given them, and if that railroad were to carry freight at just what it cost it in order to get any from Memphis, is there any wrong done to them?

Mr. PHELPS. Answering personally, for myself, I should say that when I am made to pay for carrying another man's freight for nothing, it is a wrong done to me. I do not desire to make that answer in a representative capacity. I do not see why I should pay for another man getting his goods delivered for nothing.

The CHAIRMAN. Of course you are not doing it as I state the proposition. Here is a railroad at Memphis in competition with steamboats. It wants to do some business at Memphis. It does not want to do business so badly as to take freight at less than what it costs to transport it, but it does want it so badly as that it is willing to take it at just what it does cost to transport it. Now, if that company charges other people out in the country a little profit on what it takes from them is the railroad company doing any harm?

Mr. PHELPS. It depends on what rate of profit it is charging them.

The CHAIRMAN. If it is extorting from them, that ought to be prohibited.

Mr. PHELPS. That is the very question I started by saying we did not propose to express an opinion on, because that could only be discovered by an investigation of railroad tariffs and the actual cost of doing the business.

The CHAIRMAN. I agree with you fully; the companies have no right to extort from anybody; but as you yourself suggested in reference to competing points on the river, where the railroads touch the river, in order that the railroads may get any business they have got to take freight at a lower rate than they do out in the country, and is it any wrong to the people out in the country if the railroads take it at a rate that is not below what it actually costs to transport it, provided they do not extort or recoup from other people?

Mr. PHELPS. I should think, answering as an abstract proposition, that that is a question which can only be decided by knowing what the cost is. To come back to what I said in the beginning, I consider that it would be a very delicate matter to legislate justly in regard to railroads that touch rivers like the Mississippi River at competing points, unless you can force all transportation companies, river as well as rail, to come to an equality.

The CHAIRMAN. We have that question before us. Take the Mississippi, all the way up, its whole length nearly, there are railroads at different points. Take what is called the Cairo Short Line. It starts at Saint Louis and runs to Cairo. It leaves the river after it gets away from Saint Louis, 15, 20, or 25 miles, until finally it gets down to the river at Cairo. If that railroad were compelled to carry its freight from the stations a long way from the river to Cairo, or as it goes the other way to Saint Louis, at the same rate per mile, for instance, that it takes freight at the two points where it touches the river, it could not do any business at all?

Mr. PHELPS. Certainly not.

The CHAIRMAN. The result would be that those interior towns which now rely upon the railroad would have to pay a larger sum, or else the railroad would have to stop running. Go on with your statement, Mr. Phelps. Excuse me for interrupting you.

#### CONCESSIONS TO LARGE SHIPPERS.

Mr. PHELPS. The eleventh question is:

Should any concessions in rates be allowed to large shippers except such as represent the actual difference in the expense of handling large shipments over small shipments, and should such concessions be made known to the public?

We think that they should. There should be concessions to represent the actual difference in cost between handling large shipments and small shipments; and they should be published and every man placed on an equality.

#### UNIT OF SHIPMENT.

The CHAIRMAN. Have you any idea about what ought to be the unit of shipment, whether a car-load, or a hundred pounds, or any other given quantity?

Mr. PHELPS. No, sir; that is a question on which I would not care to express an opinion. I do not feel competent to do so. Our idea is, though, that whatever is arrived at, the rates should be public and every one should be placed on an equality. Go to a town in the interior. As it has been heretofore, and I presume it is the state of things existing in a great many places still, one man would have one rate on cotton, another man would have another rate, and another man would have another rate. The consequence is one buyer could go into the market and pay more than another could and practically control the buying of cotton; the other man could not make headway against him at all.

The CHAIRMAN. You think whatever rates are charged, whether special or general, should be made public to the world?

Mr. PHELPS. They should be made public to the world.

The CHAIRMAN. Proceed with your answers to the printed questions.

#### UNIFORM SYSTEM OF ACCOUNTS.

Mr. PHELPS. The twelfth question is:

Should corporations engaged in interstate commerce be required to adopt a uniform system of accounts?

We think that they should. We think that there should be such a system of accounts that a railway statement would mean something, which has not been the state of things heretofore. In other words, they should have such a system of accounts that investors could know what their property is doing. We all know there have been numerous cases where men have gone into railroad direction, have loaned the road money or raised money to pay fictitious dividends with, and boosted the stock on the market in that way and then sold the stock out on the public. The actual state of things now is that there are few roads in the country about whose financial situation any one knows anything definitely. Men know what the directors choose to publish to the world.

The CHAIRMAN. Do you know what is the condition of the roads in this section of the country?

Mr. PHELPS. No, because the management, as I stated before, is elsewhere. For instance, while the management of the Louisville and Nashville is nominally in Louisville, it is really in New York. The New Orleans and Northwestern belongs to the air-line system and the headquarters are in Cincinnati. The Texas Pacific belongs to the Gould system, with headquarters at Saint Louis; and if you want to get pay for a bale of cotton which has been lost, or anything of that nature, the papers have to go to Saint Louis to be acted on. But that, of course, is a question in which this section of the country is not very much interested, because the amount of railway securities held here is very small, and they are not interested in that feature of it.

## REPORTS TO THE GOVERNMENT.

The thirteenth question is :

It is desirable that such corporations should be required to make annual reports to the Government? If so, what information as to their earnings, expenses, and operations should such reports contain?

We are of the opinion that they should be required to make reports to the Government, and that these reports should state whatever is necessary to an intelligent understanding of the condition and operation of the road; in other words, that the investor in railway securities and every one who is interested in the management of the railway system of this country should be able to obtain from some authority a knowledge, so far as the public has a right to it, of the workings of any corporation, as to what that corporation is doing, what its financial condition is, and in what way it is doing business.

## WATER-ROUTE TRANSPORTATION.

The fourteenth question is :

In making provision for securing cheap transportation, is it or is it not important that the Government should develop and maintain a system of water routes?

The committee instructed me to answer in the affirmative on that question.

## A NATIONAL COMMISSION.

The fifteenth question is :

In what manner can legislation for the regulation of interstate commerce be best enforced? Should a commission or other special tribunal be established to carry out the provisions of any law Congress may enact?

That the committee instructed me not to return any answer to, beyond saying that we consider that question can be best decided when Congress comes to legislate on the matter. That is the last question.

## THE RIVER BUSINESS.

The CHAIRMAN. You are engaged in mercantile pursuits here, shipping grain or produce?

Mr. PHELPS. I am a cotton factor. We sell cotton on commission. I am a partner of the firm of John Phelps & Co.

The CHAIRMAN. What is the fact in relation to business done now on the river between here and Saint Louis? Is the volume of it very great?

Mr. PHELPS. Of course it has been decreased considerably by the completion of the Mississippi Valley Railroad, which parallels the river on the eastern bank, and by the Texas Pacific, which parallels it to a certain extent on the left bank.

The CHAIRMAN. They are both carrying products in competition with it?

Mr. PHELPS. Oh, yes; the Mississippi Valley Road extends parallel with the river, but a certain distance back from it, so that, of course, they are nearer for a great deal of produce than it would be to haul it to the river.

The CHAIRMAN. Taking up products raised back in the country?

Mr. PHELPS. Yes, somewhat.

## IMPORTANCE OF MISSISSIPPI RIVER IMPROVEMENT.

The CHAIRMAN. You gentlemen believe that the improvement of the Mississippi River and keeping it in a good navigable condition is very important to your interests here, do you?

Mr. PHELPS. Yes; from the simple fact that the Mississippi River is the outlet for an immense amount of produce which is not reached by any rail transportation at all. We consider that that would be very desirable, quite irrespective of the question of railway transportation.

The CHAIRMAN. What is the rate for a shipment of grain from Saint Louis here?

Mr. PHELPS. I cannot tell you that.

The CHAIRMAN. Do you ship any cotton that way?

Mr. PHELPS. They ship cotton here occasionally for sale, but sometimes a good deal of it goes through, going to Europe by this way; but those rates I do not know anything about, never having had occasion to move cotton that way.

The CHAIRMAN. Is there anything else you think of that you wish to state?

Mr. PHELPS. No, sir; I do not think of anything more. Here is a rate, for instance, from Memphis to New Orleans, \$1.25 per bale. They take a bale to Boston for 62 cents a hundred pounds.

The CHAIRMAN. How much is that a bale?

Mr. PHELPS. About \$3 a bale. There are so many ramifications of this question that it is impossible to go into it without a great deal of time. There is the question of terminal charges, and there are a great many other things.

The committee adjourned to meet at Atlanta, Ga., on the 18th instant, at 11 o'clock a. m.

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CAMPBELL WALLACE'S STATEMENT.

ATLANTA, GA., *November 18, 1885.*

The committee met at 11 a. m.

CAMPBELL WALLACE appeared.

Senator HARRIS. I am here as a subcommittee of the Senate Select Committee on Interstate Commerce, simply to take the testimony of your business men and your railroad commission and such common carriers as may choose to come before the committee. The testimony taken will go into our record and be considered by the committee when the whole testimony shall have been made up. Major Wallace, please state your business.

Mr. WALLACE. I am at present chairman of the railroad commission of Georgia.

## THE GEORGIA RAILROAD COMMISSION.

Senator HARRIS. How long have you been chairman of that commission?

Mr. WALLACE. Governor Smith was the former chairman and his term expired. I was elected in his place. I have been a commissioner six years.

Senator HARRIS. Since the organization of your commission?

Mr. WALLACE. Yes, sir. I have four years more to serve. I have been appointed for a second term.

Senator HARRIS. Your commission has been in existence for six years?

Mr. WALLACE. Yes, sir; for six years.

Senator HARRIS. Have you a copy of the act creating your commission?

Mr. WALLACE. Yes, sir [handing copy]. I will state that that is without amendment except in one particular, with regard to the matter of publication, a matter of no consequence.

Senator HARRIS. It is the law with the exception of a single provision in respect to publication?

Mr. WALLACE. Yes, sir; instead of making publication for four weeks only one week is required. That is the only change.

Senator HARRIS. I should be glad to have you state in your own way the operations and general results of the action of your board of commissioners since it has been in existence.

Mr. WALLACE. In what way can I do that better than just to submit to you the tariff and the rules that we have adopted under the law?

Senator HARRIS. Has your commission undertaken to fix the rates of transportation within the State of Georgia?

Mr. WALLACE. Yes, sir; that is the main feature in our law.

Senator HARRIS. Have you done so on consultation with the various transportation companies?

Mr. WALLACE. Yes, sir; I will give you a history of that. In the first place, we took a basis of what we supposed to be about fair rates for two leading railroads of different character in the State. I speak of different character with regard to grades, and curvatures and population, and the territory supplying the lines of these roads with commerce. We made what we called a "standard tariff." I have one of them in my pocket [exhibiting]. The law required us to say what distances in transportation rates should be changed, acknowledging the principle as correct that for a longer haul a less proportionate rate should be charged. I see that it is very properly worded in the questions submitted by your committee. We took 10 miles as the proper distance to begin to make those changes. We ran that up to the whole length of any one line in the State, say 460 miles. We then distributed that. The power was positive to make rates. The duty was made obligatory upon the railroads. We notified the railroad companies to appear and file objections to it, if they had any, to confer with us; and we heard them and made such changes as we thought advisable.

Senator HARRIS. In the light of their suggestions?

Mr. WALLACE. In the light of their suggestions. Then we put them on trial for two consecutive months to work in and see how it would operate; and then we made changes again, making allowances. In that way we arrived, as we think, at about fair rates for all the roads in the State. That has been changed occasionally in six years. We have to publish circulars when we make changes of any kind whatever. I find that the whole number of circulars which we have published during the existence of our commission amounts to less than ten a year. Our object has been to give stability to transportation as far as possible.

Senator HARRIS. Those circulars are a modification of rates?

Mr. WALLACE. A modification of rates or of rules. We adopted rules. Then there is a more important table which shows the application of the "standard tariff" to the various roads in the State. Here

is what we call a codification. It takes all the roads in the State and shows how they are to charge under the standard tariff. They vary. There are hardly any two roads alike.

Senator HARRIS. The rates are not the same on all roads?

Mr. WALLACE. Not by any means. We take into consideration the length of the road, its grade, its curvatures. We take into consideration the commerce that will naturally flow to it, without competition or with competition. We do not interfere with any competing points except that there is to be no discrimination. This pamphlet, "Standard Tariff, Rules, Classification, &c., of the Railroad Commission of the State of Georgia" is an important document to throw light on our action. In addition to that we published a set of rules which under the law becomes a part of the law, because we are the agents of the legislature.

Senator HARRIS. You are clothed with the power to make rules and regulations?

Mr. WALLACE. To make rules and regulations.

Senator HARRIS. Which become effective when made?

Mr. WALLACE. Yes, sir.

Senator HARRIS. Have there been serious complaints of the rates which your commission have fixed from time to time?

Mr. WALLACE. Yes, sir.

Senator HARRIS. Upon the part of the community, or on the part of the railroad?

Mr. WALLACE. On the part of one railroad system in the State and as far as their influence could extend.

Senator HARRIS. Only upon the part of one railroad?

Mr. WALLACE. One railroad has led in the thing pretty much, and that is the great Central Company. While these complaints have been going on they have all been making money. The rates are liberal, as I conceive.

Senator HARRIS. The railroad companies have made money while complaining?

Mr. WALLACE. While complaining. I can give you my judgment with regard to that. My own opinion is that it is that indisposition of human nature to be controlled, particularly when it is embodied in a corporation, to yield to a power superior to themselves. They want to get clear of the power to control them. That is the whole amount of it.

Senator HARRIS. Do you know what dividends the railroad companies within your State have declared or paid under the rates which your commission have fixed?

Mr. WALLACE. I will take the leading roads. I cannot say anything about the Western and Atlantic Railroad, because we do not know; it is held by lessees and they are without capital. They pay the State \$25,000 a month. My impression is that the Western and Atlantic Railroad for months has not been making money, because of the great competition from the East Tennessee road. There are very few roads in this State which take the full amount of the rates that we allow them.

Senator HARRIS. Do they charge up to the rates that you allow?

Mr. WALLACE. No, they do not take the rates in all cases. They do at certain points where there is no competition and where there is no protection except our rates. Take the Georgia road. They are making money as I conceive. They are paying quarterly  $2\frac{1}{2}$  per cent. to their stockholders. That is one of the leading railroads of the State.

Senator HARRIS. They pay 10 per cent. per annum?

Mr. WALLACE. Yes, sir; they are paying that regularly. Take the



Atlanta and West Point road. They are paying 6 per cent. dividends regularly, and have been paying 6 per cent. on what they call debenture bonds for an equal amount, which is 12 per cent., and that does not exhaust their earnings; they generally have a little surplus. I should like to give you (which I think is the better way to get at it) certain documents which we have printed and which will throw more light upon these matters. I can give you in that way the figures exactly; I cannot remember all of them. Take the Southwestern road; they are getting 7 per cent. regularly under a lease. Take the old Eatonton and Gordon road, leased by the Central, and they are getting about 7 per cent. on their capital stock. Take the Augusta and Savannah, or rather the Augusta and Waynesboro' road, and they are getting about 10 per cent. on their capital invested. The Central road proper, as we figure their earnings, are making from 7 to 10 per cent., but they have so many roads leased outside of the State that they present in their reports a showing of the whole, in which they amalgamate all the earnings and expenses of all these roads, to show that their road in Georgia is not making more than 3 or 4 per cent. I think they are paying 4 per cent. only the past year, but that is in consequence of the liabilities they have to pay for their fixed charges outside.

Senator HARRIS. Are the dividends you speak of over and above fixed charges as well as operating expenses?

Mr. WALLACE. Oh, yes, over and above. They would not pay dividends otherwise.

Senator HARRIS. Has there been any complaint of the action of your board except upon the part of certain railroad companies complaining of the rates which you have fixed? Have the operations of the board been generally satisfactory to the people in Georgia?

Mr. WALLACE. Yes, sir; to the people.

Senator HARRIS. With the exception of those complaints which grow out of fixing rates?

Mr. WALLACE. Yes, sir; I believe it has been satisfactory to the large mass of the people. There is no doubt about that.

Senator HARRIS. Have you had to resort to the courts to enforce your judgments and decrees?

Mr. WALLACE. Not in a single case. In the celebrated Tilley case Judge Woods, of the United States Supreme Court, who made the decision, sustained not only the constitutionality of the law but he sustained and complimented the action of the commission. Then in the case of the lessees of the Georgia road, decided first by what we call our superior court (the circuit court in Tennessee), after a great deal of litigation we were sustained by the circuit judge and then by the supreme court of the State. I should like to add that I am appearing here and giving my testimony rather under protest.

Senator HARRIS. Are those the only cases in which you had to resort to the courts to enforce the decrees of your commission?

Mr. WALLACE. Those are all. We did not resort to the court. The first was the action of the Savannah, Florida and Western Railroad, testing the constitutionality of the law, the existence of the commission, and the action of the commission.

Senator HARRIS. The two cases, then, were cases where the transportation company instituted a judicial proceeding to test the validity of your proceedings?

Mr. WALLACE. Yes, sir.

Senator HARRIS. And the board was sustained in both those cases?

Mr. WALLACE. Yes, sir; by the highest judicatory that we had. The cases were carried to it.

Senator HARRIS. I want it to appear of record that at some period of your life you were president of a railroad company and a railroad man. How long were you connected with railroad companies and in what capacities?

Mr. WALLACE. I was first a director, commencing, I think, about 1836, in the old Hiwassee company, which was afterwards the East Tennessee and Georgia Railroad Company. I was a stockholder and director. In 1853 I was elected president of the East Tennessee and Georgia Railroad Company and I continued president of that company until the close of the war. Soon after the termination of the war I was appointed superintendent of the Western and Atlantic Railroad, that is the road belonging to the State of Georgia, now under the charge of lessees. I was elected president of two or three other companies during that time. My next service was the construction of the South and North Railroad of Alabama, connecting Montgomery and Decatur, about 190 miles in length, I believe. I had entire charge of that work as general manager for the contractors.

Senator HARRIS. From the standpoint of your long experience as a railroad man and as a railroad commissioner, I should be glad to have you direct your attention to the questions propounded in the printed circular issued by the committee.

Mr. WALLACE. My answers must be altogether practical. I do not deal in theories at all.

Senator HARRIS. The more practical the better.

Mr. WALLACE. There is a good deal of theory on this subject, I notice, in the Congressional debates.

Senator HARRIS. For myself I greatly prefer the practical. Take these questions in the order in which they are printed and allow the stenographer to take down such answers as you choose to give.

#### EXTORTION AND UNJUST DISCRIMINATION.

Mr. WALLACE. The first question is as to the "best method of preventing the practice of extortion and unjust discrimination by corporations engaged in interstate commerce." My judgment is that the best manner in which that can be done is by the rigid enforcement of law by proper officials, a law which would embrace the principles in rule 6 of the "freight rules and regulations" of our commission.

Senator HARRIS. I will ask Mr. Paul, the secretary of the committee, to read that rule.

The secretary read as follows :

(6) *Regulations concerning freight rates.*—The freight rates prescribed by the commission are maximum rates, which shall not be transcended by the railroads. They may carry, however, at less than the prescribed rates, provided, that if they carry for less for one person, they shall for the like service carry for the same lessened rate for all persons, except as mentioned hereafter; and if they adopt less freight rates from one station, they shall make a reduction of the same per cent. at all stations along the line of road, so as to make no unjust discrimination as against any person or locality.

But when, from any point in this State there are competing lines, one or more not subject to the jurisdiction of the commission, then any line or lines which are so subject may at such competing point make rates below the standard tariff, to meet such competition, without making a corresponding reduction along the line of the road.

Mr. WALLACE. I should like to attach these entire rules to my statement, because we have got to take them as an entirety to get at the bearing of this question as we have it here in this State.

## REASONABLENESS OF PRESENT RATES.

Senator HARRIS. The second question is as to "the reasonableness of the rates now charged by such corporations for local and through traffic." Your rules and rates apply to the local traffic, that is, local so far as the State of Georgia is concerned?

Mr. WALLACE. Yes, sir; exclusively.

Senator HARRIS. This question, however, is in respect to the rates on interstate commerce.

Mr. WALLACE. I understand.

Senator HARRIS. To commerce that begins in one State and ends in another.

Mr. WALLACE. But the way the question is put it applies to both. It says, "local and through traffic."

Senator HARRIS. But there is a local traffic in interstate as well as in State commerce. That is, in one sense it is way freights.

Mr. WALLACE. How do you explain that?

Senator HARRIS. For instance, you may ship goods from Jersey City into the city of New York, and you simply have to cross the river. That is interstate commerce.

Mr. WALLACE. Then the intercourse, for instance, between Tennessee or Alabama and Georgia in relation to this question would be local interstate.

Senator HARRIS. Yes, it would be so. The question invokes your opinion as to the reasonableness of the rates now charged by the common carriers throughout the country, both their local rates and their through rates. Are they reasonable or unreasonable, in your opinion?

Mr. WALLACE. So far as my information extends, my judgment is that their rates for through traffic are exceedingly low. For local traffic in this State, where the roads are regulated, where they are not allowed to make the tariff themselves, I look upon the rates as being liberal. Where the roads are left unrestricted they are not.

Senator HARRIS. Local rates are high where unrestricted?

Mr. WALLACE. Where unrestricted. The idea which they boldly proclaim is that the local rates must pay for the interstate commerce; some go as far as the fullest extent of the cost of the traffic.

## PUBLICITY OF RATES.

Senator HARRIS. What think you of the propriety of the publicity of rates, requiring every transportation company to make its rates public, and to adhere strictly to the published rates until they are changed, and not to be changed without due and proper notice given of the intended change?

Mr. WALLACE. I think the law upon that subject could not be made too strong. I think that their rates should be made public, and that there should be no deviation from those rates without liberal public notice.

Senator HARRIS. About what notice would you think a reasonable and proper notice of any intended change of rates?

Mr. WALLACE. For interstate commerce?

Senator HARRIS. Yes.

Mr. WALLACE. Not less than thirty days to reach all the ramifications of traffic through the country. I want to give reasons for my opinions. We will illustrate by taking Chicago and the trade between Chicago and Atlanta. Chicago has its commercial brokers and Atlanta

has also. Fixed rates will be given a broker here out from Chicago at a certain rate, so many cents for transportation. He goes into market and he is authorized by his correspondent at Chicago to sell so many car-loads of meat at that rate, delivered here. The merchant buys; he makes his contract and gives his order, and perhaps in less than twenty-four hours that rate is changed by the general freight agents, and the same broker here would sell that day or the next day the same article delivered so much lower that the profit of the first purchaser is lost altogether.

Senator HARRIS. The "profit" results in a loss?

Mr. WALLACE. It results in a loss. Hence, there ought to be publicity of rates.

Senator HARRIS. And no change without publicity?

Mr. WALLACE. And no change without publicity; as I think what the commerce of the country needs in transportation is stability more than exceedingly low rates, and that, as I understand, is the demand of the trading men of the country. They do not ask low rates; they ask reasonable rates, but they want stability in those rates; they do not want discrimination.

#### MAXIMUM AND MINIMUM RATES.

Senator HARRIS. Do you think it would be wise and safe for Congress to undertake to fix maximum and minimum or maximum or minimum rates of freights and passage throughout the country?

Mr. WALLACE. When I began to investigate this question under the agitation of interstate commerce I was clearly of the opinion that the best, and the only way, to regulate it was by a commission with powers to make rates and to settle difficulties between the public and the transportation companies. My experience of six years' work at the business satisfies me that that is almost an impracticability for interstate commerce. We do not acknowledge in our law in Georgia trade centers at all. Our local law is intended to tell upon every 10 miles in the State, and every man in the State is put upon a perfect equality according to his facilities of transportation. I think it is impracticable almost to make minimum rates, but when you go to make maximum rates or minimum rates under a commission for the United States how are you going to apply them? Are you going to select certain points? Say, in Georgia, for instance; take Augusta, take Savannah, take Columbus, take Atlanta, and take Macon, and apply the maximum rates to those points. You exclude the people from all the benefits of interstate commerce in that way. The conclusion that I have come to is that it is almost impossible to make maximum rates for interstate commerce, but that rigid laws, to be enforced by proper officials, should be passed by Congress to prevent unjust discriminations, rebates, and such damages to the shipper as occur by delay in transportation, &c. My idea is that there should be an official for each judicial circuit of the United States, paid by the Government, whose duty it should be to enforce the law. But there must be a power of some sort to stand between the railroads and the people, to protect the railroad stockholder and to protect the people. While I believe from experience there should be a maximum rate for local freights made by each State, I believe that fixing maximum rates for interstate transportation is impracticable.

Senator HARRIS. Would it or not, in your opinion, be a proper regulation to allow transportation companies to fix their own rates, requiring them to give publicity by posting their rates, and not to change those

rates except upon due and proper notice of the intended change? Would that be, in your opinion, as far as Congress could well go in the matter of fixing rates of interstate commerce?

Mr. WALLACE. My judgment is that that is as far as Congress could go safely, but the laws must be sufficiently easy to be enforced.

Senator HARRIS. If regulations should be adopted as I have suggested, and a railroad commission created whose duty it shall be to hear all complaints against transportation companies, exorbitant rates being the subject of complaint as much as any other legitimate and kindred matter, and if any transportation company is complained of for having fixed exorbitant rates, make it the duty of the commission to investigate and report upon that as they investigate and report upon all other questions involving complaints, would something like that be, in your opinion, as far as Congress could safely go in the matter of fixing rates, or could Congress go further and be more specific in the fixing of rates?

Mr. WALLACE. In answer to that I would prefer giving just the opinions I have formulated in regard to what it is best for Congress to do. From the practical operation of transportation I draw a distinction between the regulation of local freight, State freight, and the regulation of interstate freight. The principal cities have organizations and where there are unjust discriminations or where they are not treated with perfect equality by the railroads, my proposition is to give them a remedy through the United States court, because those cities have organizations and they can afford to go into court. But it is not so in State transportation, because that goes to every man's door and every man's cabin in the State, and he has no remedy at all outside of maximum rates and he has no protection because he cannot afford to go into court. Perhaps there are a hundred men in one neighborhood who have overcharges to the extent of only 50 cents each. Each one cannot go into court with claims of that kind. The commission of Georgia have regulated that, so that I do not know of a suit in the State to-day, and I do not believe there is one, for a dereliction on the part of a railroad company in its transportation department, or for an overcharge, or anything of that kind. But when you come to regulate the whole commerce of the United States I do not believe that you can do it by a commission fixing maximum and minimum rates. I think it is a question which will have to be tried on complaint from the centers because they will not make rates to any except to those trade centers. That is all you have to deal with. It is the unfair dealings of the roads between the trade centers that is complained of and makes a demand, as I understand, for interstate regulation. It is the unfair dealings of the railroads with the trade centers, the principal towns, that bring up the complaints before Congress.

Mr. HARRIS. The chief complaints we hear are based upon discrimination as between places and individuals and the extremely low rates of through freights as compared with the local traffic.

Mr. WALLACE. Exactly. It is making the local business pay for the whole work that the people complain of.

#### THE SHORT AND LONG HAUL.

Senator HARRIS. Do you think it would be safe and proper for Congress to prohibit by law the charging more in the aggregate for the short than the long haul over the same road going in the same direction?

Mr. WALLACE. We regulate that in our rules. When you put that question as it is put here it is right and it is understood; but the acceptance of that subject is not generally understood, as I think, correctly. The long haul should be proportionately lower than the short haul. That is the question.

Senator HARRIS. But the question I ask you is not as to a proportionate rate, but would it be wise and safe to the public interests, including the carrier as well as other interests, to prohibit the charging more in the aggregate—not more proportionately, but more in the aggregate for the short than the long haul going over the same line of road and in the same direction?

Mr. WALLACE. Yes; I think it would be an unjust discrimination.

Senator HARRIS. To charge more for the short than the long haul under those circumstances?

Mr. WALLACE. Yes, sir.

Senator HARRIS. Hence you think it should be prohibited?

Mr. WALLACE. I think that should be prohibited, but at the same time I think the charge for the long haul should be proportionately lower than for the short haul. That you will find illustrated in our "standard tariff."

#### ELEMENTS IN FIXING RATES.

Senator HARRIS. I will ask you to state the elements which should be considered in fixing the rates of freight and passage.

Mr. WALLACE. Before I answer that question, let me understand what you mean by the elements which should be fixed. For instance, there are fixed charges, &c.

Senator HARRIS. There is one railroad which costs, perhaps, \$25,000 a mile to build it, and another which costs, perhaps, \$60,000 a mile to build it. There is one that runs over a smooth, level country, which costs comparatively little to operate, and another running over a rugged country, which costs two or three times as much to operate by reason of its heavier grades, its larger number of curves, &c. I wish to put on record your opinion as to what ought to be considered by the parties who fix rates, whether the transportation company itself, or a commission, or whoever does it.

Mr. WALLACE. It is almost impossible to take two roads so equal in their capacity for work, and in the amount of tonnage that the watershed or commerce-shed throws upon them that they can be put upon an exact equality of rates. The length of a road is one element, the grade is another very important one, high grades or low grades, and then the quickness, if I may so term it, of their curvatures is another.

Senator HARRIS. Abruptness of curve?

Mr. WALLACE. Abruptness. It makes it more expensive necessarily, because the wear and tear of the machinery on the track is greater, of course. Those are proper matters to take into consideration.

Senator HARRIS. Is the cost of the road an element?

Mr. WALLACE. The cost of the road to a certain extent is an element. You may build two roads from here to Augusta and you may build them almost parallel; you may build them where, for instance, their grades and curvatures may be the same. The distance is 171 miles. Those two roads are built under two separate organizations, under the control of two separate engineers, and the cost of those two roads will vary very materially in spite of everything that can be done. Some men will build roads cheaper than others, one engineer has more tact in doing

his work, the financiers, the officers of one company, will raise money more easily on their securities, and all that kind of thing. What would be the cash value of the cost I think is a proper element to take into consideration, but nothing above that.

Senator HARRIS. Do you mean the actual cash cost?

Mr. WALLACE. No, the actual cash value.

Senator HARRIS. No matter what it cost?

Mr. WALLACE. No matter what it cost.

Senator HARRIS. The actual cash value is the proper element of consideration?

Mr. WALLACE. The actual cash value is the proper element and nothing more. To illustrate, take my old road which you used to control, governor, to some extent. You used to appoint nine directors for me, you will remember. That road was built and equipped under adverse circumstances for less than \$25,000 a mile, put in admirable condition, with long bridges and a pretty long tunnel on it. To-day every mile of that road has an indebtedness upon it amounting to \$80,000, I understand. You cannot take such a thing as that into consideration. Take the road leading from here to West Point, eighty-odd miles long. The actual cost of that road has been about a million and a quarter of dollars. The value of that road to-day is double that sum. When I come to make a tariff for those two roads I do not take their cost as an element; I take what I consider to be their value. If I gave them rates only in proportion to the cost, they would have almost the lowest rates in the United States. I give them rates which take the value into consideration, and then, after all, the main element to be taken into consideration is the value of the work that is rendered, just as it is with a carpenter building you a house. It is the consideration you have given the public, which should be just and reasonable rates according to the work performed.

Senator HARRIS. Is the actual cost of operating the road an element?

Mr. WALLACE. Oh, yes.

Senator HARRIS. Necessarily, I should think.

Mr. WALLACE. Yes, sir; that is an element. The first thing is what is paid and then the fixed charges, as they are called.

#### UNIFORMITY OF CLASSIFICATION.

Senator HARRIS. Do you think it would be wise to require all railroad companies to adopt uniform classifications?

Mr. WALLACE. Yes, sir; that is essential.

Senator HARRIS. Do you think it would be wise to require uniform bills of lading?

Mr. WALLACE. They must be uniform. The through bills of lading should be so uniform as to reach from one to all points between extremes. They must be the same, and hence the great necessity of having one classification.

Senator HARRIS. Do you think it would be prudent and wise also to prohibit by law transportation companies from incorporating in their bills of lading provisions exempting the transportation company from its common-law liabilities as a common carrier?

Mr. WALLACE. I think it would be wise to prohibit them from incorporating such provisions. Our courts have decided that those provisions amount to nothing. Notwithstanding that they ought to be prohibited by statute, for the reason that it leads so many men astray, and to prevent the necessity of the shippers litigating such questions. If you al-

low a transportation company to make such a provision it gives it the right to make a higher law, a law that governs the common law of the country.

#### REBATES AND DRAWBACKS.

Senator HARRIS. You have already answered, I believe, that there should be no rebates or drawbacks allowed.

Mr. WALLACE. I think they are unjust.

Senator HARRIS. You think that there should be no rebates or drawbacks allowed in any case except to correct an obvious mistake?

Mr. WALLACE. Of course they should have no rates except what are known to the public, who are their customers and should be dealt with openly and fairly.

#### SELECTION OF LINES.

Senator HARRIS. Should provision be made by law for securing to shippers the right to select the lines and parts of lines over which their shipments should be transported?

Mr. WALLACE. I look upon that question in this light: Say there are two lines from here to New York. One road here has its through arrangements with one of those lines, and I ship my freight by that line without any instructions whatever. I ship to the road here that initiates the work. I give no instructions. That line then assumes, or ought to assume, the whole responsibility. But if I say I want my goods to go by another line, it releases the initial road from responsibility.

Senator HARRIS. The shipper should have the right to designate as he chooses?

Mr. WALLACE. He should have the right to designate as he chooses, and there should be no arbitrary rules to prevent his freight from being received and transferred from one road to another, and going forward without delay at the usual rates. You trammel the commerce of the whole country when you prevent that. We have that evil in this State to a great extent.

#### UNIFORMITY OF RATES.

Senator HARRIS. You have already substantially answered the ninth interrogatory, which is, "By what method can a uniform system of rates for the transportation of passengers and freights by all the corporations engaged in interstate commerce be best secured?" Is there any specific answer that you care to give to that question?

Mr. WALLACE. No, sir; nothing more than what I have said, which is only my judgment about it. Whenever you attempt to work it, it will be found impracticable to do it by maximum rates.

#### CONCESSIONS TO LARGE SHIPPERS.

Senator HARRIS. "Should any concessions in rates be allowed to large shippers except such as represent the actual difference in the expense of handling large shipments over small shipments, and should such concessions be made known to the public?"

Mr. WALLACE. If such concessions are made the fact should be made known to the public; it should be understood.

Senator HARRIS. Should they be made?

Mr. WALLACE. I do not admit that they should, to any extent greater than the car-load rates,



Senator HARRIS. You think a car-load should be made the unit?

Mr. WALLACE. It should be made the unit.

Senator HARRIS. Whether one man ships fifty car-loads and fifty men ship one car-load apiece, they should all pay for a car-load at the same rate?

Mr. WALLACE. Yes, sir; I do not think it right to allow one man to consign to two different parties; it must be a car-load clean for the one party. There is nothing in the supposition that there is a difference in the loading and unloading, because in making rates of transportation that expense is always included. The terminal expenses are added to the rate. There are provisions made, you know, in handling certain heavy articles, that there is an extra charge on them at the end of the line.

#### UNIFORM SYSTEM OF ACCOUNTS.

Senator HARRIS. "Should corporations engaged in interstate commerce be required to adopt a uniform system of accounts?"

Mr. WALLACE. I should think it would be very desirable. If you are going to have a commission you want to understand something about the rates that you allow, and unless you have reports from the railroads uniform and terminating at the same period of the year it would be impossible to avail yourself of any information by comparison and contrast.

#### ANNUAL REPORTS TO GOVERNMENT.

Senator HARRIS. "Is it desirable that such corporations should be required to make annual reports to the Government? If so, what information as to their earnings, expenses, and operations should such reports contain?"

Mr. WALLACE. In the absence of any law for the regulation of interstate commerce I should say that it would be very desirable to have a bureau of railroad statistics, as Mr. Nimmo had to some extent. In view of the fact that the Government intends to regulate interstate transportation, I should think it important to have those reports. You said "annual reports," did you not?

Senator HARRIS. Yes, annual reports. Do you think they should be made quarterly?

Mr. WALLACE. Quarterly at least. We have them made monthly to us.

Senator HARRIS. You think, then, that transportation corporations should be required to make quarterly reports to the Government or to such tribunal as Congress may create?

Mr. WALLACE. Yes, sir; that would be more desirable.

Senator HARRIS. What information should those reports develop?

Mr. WALLACE. To answer that in detail would take a good deal of time and would require an examination of a good many items; but I should say that embraced in that report should be the salaries of the principal officers. You refer to the expenses?

Senator HARRIS. Yes; the question as propounded here is as to "their earnings, expenses, and operations."

Mr. WALLACE. Of course, the report should give upon one side their entire earnings and from what source it comes. If it is necessary to give it you may put it in the shape of in and out freights, both ways, the earnings from passengers, through and local, but you do not want to have anything to do with local earnings. Then you want the earnings from express charges, which has got to be a very great item in this

country now, and then you want miscellaneous items. Most of the roads have property that they rent or other things, and coming with the miscellaneous items is the débris from renewing old track and putting in new rails, and things of that kind. That is an item which ought to come in the receipts. Then the expenditures ought to be the actual expenses of moving the freight, the transportation.

Senator HARRIS. In brief, the report should show the entire receipts from all sources?

Mr. WALLACE. From all sources.

Senator HARRIS. And the entire expenditures of every character?

Mr. WALLACE. Yes; to a very large extent itemized. If it is not itemized it covers a great deal that ought not to be charged, for which the public ought not to be required to pay in the transportation charges.

#### WATER-ROUTE TRANSPORTATION.

Senator HARRIS. "In making provision for securing cheap transportation, is it or is it not important that the Government should develop and maintain a system of water routes?"

Mr. WALLACE. I think that is an impossibility as to rates.

Senator HARRIS. To maintain a system of water routes?

Mr. WALLACE. Yes, except canals. You might build canals, but when you come to our great river transportation, when you take the Mississippi River, how would you regulate rates?

Senator HARRIS. I am seeking information from you.

Mr. WALLACE. It is an impossibility, in my judgment, to maintain a system of water routes, as to fixing or regulating rates. At the same time I will say that the water transportation of the country is the great protection to the traffic of the country in interstate commerce. It is the only competition the railroads have; but you cannot regulate water rates.

#### A NATIONAL COMMISSION.

Senator HARRIS. If Congress shall decide to undertake the regulation of interstate commerce, is it, in your opinion, necessary and proper that Congress should create some tribunal, such as a commission or a court, with power to enforce its decrees, or a commission with power to investigate and report to contending parties and report to the Government upon the various questions of complaint?

Mr. WALLACE. From my investigation of what is called the Reagan bill I think there are some provisions in it which cannot be sanctioned; but some regulation upon the plan of the Reagan bill would be better than to attempt to regulate it by a commission fixing rates. The two things are different. The regulation of interstate transportation and of local transportation is so entirely different that you cannot take the workings of one and adapt it to the other. Parties who are aggrieved by interstate commerce are as a general thing bodies which are organized and have the power and ability to protect themselves if they have laws in force for their protection. The people have not organization for protection of their rights.

Senator HARRIS. The vast difference in the surroundings, in the volume of business, in the cost of commercial thoroughfares, is so great that is it safe for Congress to undertake to fix by iron rules of law anything in the shape of regulation that would be effective or reach any considerable proportion of the causes of complaint? Must not there be some tribunal with powers more or less elastic?

Mr. WALLACE. Yes; I admit that.

Senator HARRIS. Capable of adapting themselves to the peculiar conditions which surround each and every case?

Mr. WALLACE. I think so.

Senator HARRIS. Then is it or is it not absolutely necessary that some tribunal should be created clothed with powers more or less elastic whose duty it shall be to investigate every case of complaint and be able to show the peculiar surroundings of every case and every circumstance which should have weight in determining it?

Mr. WALLACE. From the experience I have on the subject my idea is that the United States court in the different judicial districts is a tribunal sufficient for that purpose, because the parties who are aggrieved would have the right to go before the United States courts and to show when they go there the discrimination which is made against them. Take these long lines—a line from New York through to Savannah, for instance. There are short roads and there are long roads in that line; there are high grades and there are low grades; there are easy curves and there are sharp curves all along the line of that route; yet, by the system which is denominated pooling, they take an aggregate and they prorate that per mile; there is no regard to the condition of the roads at all and no justice in the distribution of the aggregate. No commission could make just maximum rates for all the lines used in interstate commerce. Hence I conclude if the law is made explicit and properly prosecuted before the court it would be the least expensive and the most efficient in correcting the evils of unjust discrimination and exorbitant charges.

Senator HARRIS. As I understand the question, there is scarcely a complaint justly made against a transportation company in this country that may not find a remedy at common law. The law is ample to-day.

Mr. WALLACE. If it is enforced.

Senator HARRIS. But one of the complaints which we encounter, and a very general one, is that no individual shipper can afford to go into court to vindicate his rights as against a transportation corporation, because to prosecute his suit would cost him perhaps five, ten, fifty times as much as the injury of which he complains amounts to. Without indicating any opinion of the committee or of myself, suppose you create a tribunal, call it a commission, or what not, whose duty it shall be to investigate every complaint, and after full investigation and upon full notice it arrives at a conclusion, reports that conclusion to the party complained of, and if the party complained of does not perform the decree of the commission or tribunal, whatever it may be, make it the duty of that commission to report the case to the proper district attorney of the United States and make it the duty of the district attorney, at the expense of the Government, to institute judicial proceedings for the purpose of remedying the evil, how would that operate, in your opinion?

Mr. WALLACE. Take precisely the evils that occur in local traffic and take our law, and it provides just for what you suggest, and in local matters here in the State it operates admirably. There is no litigation on the subject here at all now. The labor of the commission here has been to reconcile.

Senator HARRIS. It operates admirably here?

Mr. WALLACE. Yes, in the local freights.

Senator HARRIS. Why may it not operate equally admirable throughout the country?

Mr. WALLACE. I doubt that.

Senator HARRIS. Why do you doubt?

Mr. WALLACE. Because it is an impossibility for the hundred men scattered about in different sections, in every district in the country, who are aggrieved by a great line of interstate transportation, to obtain redress. Their claims are so small, taking a hundred men, for instance, in a county, that they cannot afford to litigate them.

Senator HARRIS. The claimant could afford to address a postal card to the railroad commission when he gets the postal card for 1 cent.

Mr. WALLACE. He could do that, but take a railroad commission located at Washington City, and my judgment is you would be compelled to have a department much larger than any in Washington City now to meet the demands of the country, and it would be a more expensive one. The item of expense which is contemplated in the bill which was before the Senate and was passed is not a drop in a bucket to what it will be when you adopt the system and carry it out, nor have you any building in Washington sufficient, in my opinion, to carry it on. Hence from my experience in State business, as I said, one-half of the complaints that come to us never reach the railroads at all, because we have the ability to regulate them ourselves and satisfy the complainant without bringing the other party before us, and where we cannot do that we try to reconcile them and get them to acknowledge each other's rights. Make your law and state what is a violation of the duties of a transportation company, make it plain and make it rigid, and have in each judicial circuit an officer whose business it is to enforce that law, and then your complainants will do what? The transportation companies are not going to make rates except for the trade centers. They never have done so, and they make the consumers pay the expense of transportation to the trade centers to a large extent by exceedingly low rates for through freights and all they can get on local freights. If the trade centers have grievances they can bring them before the district court. They have the ability to do it with their concentrated power. Look at the gentlemen who came in here to-day, the committee from the chamber of commerce. That is concentration, and they have the power to do it. If they have grievances they can bring them there, and get relief quicker and better than before a commission.

My judgment in regard to interstate commerce was, in the first place, that a commission was essentially necessary, but I have changed my views on that point. I do not believe that it is practicable, but there ought to be some power to regulate the transportation lines. That is one thing certain.

Senator HARRIS. You think there should be general laws regulating interstate transportation?

Mr. WALLACE. Yes; with Government officers to enforce them before the Government courts. Whenever a chamber of commerce like the gentlemen who have come before you to-day go and file their complaint before that officer let it be his duty to prosecute the claim.

Senator HARRIS. You then recommend no commission to investigate and report, but would have an officer in each judicial district?

Mr. WALLACE. Yes, sir; to take the case before the United States courts.

Senator HARRIS. To hear complaints, and if he thought the complaint reasonable to bring it before the court, or would you compel him to litigate the matter whether he thought it reasonable or unreasonable?

Mr. WALLACE. My idea is to make a litigation at the expense of the

companies, so that if they insisted upon litigation it would be at their own expense.

Senator HARRIS. If the officer should think it is a proper case for litigation would you have him institute a judicial proceeding and at the expense of the railroad company?

Mr. WALLACE. At the expense of the railroad company if they were at fault, but I would not have the parties complainant taxed with the cost.

Senator HARRIS. Then it would have to be at the expense of the Government?

Mr. WALLACE. At the expense of the Government; and that is the cheapest way in which it can be done. The very evil will grow up with the trade centers which is now in existence and is attempted to be remedied by law. As you put it so clearly in regard to the people throughout the whole country, the trade centers will be in the same company.

Senator HARRIS. Trade centers, though, have generally very little cause of complaint because of the fact that they are competing points.

Mr. WALLACE. It is not worth while to conceal it; the why and wherefore is not for me to say, but at the trade centers the real complaint is that some parties are favored at the expense of others. Some towns are built up at the expense of others. It is not the rates, but the unjust discrimination in rates that trade centers complain of.

Senator HARRIS. There are discriminations both as to places and between individuals in the same place?

Mr. WALLACE. Yes; that is the complaint—I think the great evil is discrimination. Go here on Alabama streets which is the heavy tonnage street of the city. You step into a house there and ask about the rates the railroads are getting and as to what the railroads ought to be allowed. They do not consider that at all. They will tell you to a man that they want the railroads to have liberal rates; that they want them kept in good condition and in good humor; but Mr. Haas here will tell you “I do not want Langston and Woodson to get lower rates than I get; I do not want them to get rebates.” Now, take towns near each other on these competing roads and they will tell you the same thing. Griffin will say, “We are perfectly willing and want the roads to have liberal rates, but we do not want Newman to have less rates than we get in Griffin,” and Atlanta says she is not willing for Chattanooga, Augusta, Macon, and Savannah, and other smaller places to get lower proportionate rates than she has to pay.

#### THE LONG AND SHORT HAUL.

Senator HARRIS. Is there any other suggestion that you desire to submit?

Mr. WALLACE. On the subject of long haul and short haul we have no law in this State. We do not have that by the commission law, but by a rule of the commission.

Senator HARRIS. That is a question with which your commission have dealt?

Mr. WALLACE. Yes, sir; I wish to explain. There is competition with Rome, for instance; lines through Virginia to the Ohio River, going through this State. They fix a cotton rate from here to New York by way of Savannah. Of course we have got nothing to do with that, that is a through rate, but when the local rate comes in the Savannah buyer goes to Rome to buy cotton. We allow the roads to give them the same figures from Rome that we do from Atlanta, or from any other

point, but not less. That explains the actual working better than in any other way.

Senator HARRIS. You do not allow them to charge more from Griffin to Savannah than from Atlanta to Savannah?

Mr. WALLACE. We give them the same proportionate rate, but competition from this point makes the rate lower.

Senator HARRIS. I say you do not charge them more.

Mr. WALLACE. No, we do not, but we cannot regulate it further. We give them a given rate, and this is a competing point, and that competition reduces the rate. We do not interfere with that.

### JOHN N. DUNN'S STATEMENT.

JOHN N. DUNN appeared.

Senator HARRIS. State your business.

Mr. DUNN. I am a wholesale grocer.

Senator HARRIS. What is your position in the Chamber of Commerce of Atlanta.

Mr. DUNN. I am a private in that organization. I have never sought to be anything else.

Senator HARRIS. I thought perhaps you were chairman of the committee on transportation.

Mr. DUNN. I used to be. Mr. Haas now is.

Senator HARRIS. You have prepared a paper upon the subject of interstate commerce, I understand.

Mr. DUNN. At the request of the president of the chamber of commerce I have prepared short answers to certain questions.

Senator HARRIS. Please read the paper.

Mr. DUNN. The paper which I have prepared is as follows:

ATLANTA, GA., November 10, 1885.

DEAR SIR: Conforming to your request, we append our views on the subject of interstate commerce.

#### PREVENTION OF EXTORTION AND UNJUST DISCRIMINATION.

To question 1 by Senate committee we answer that the best remedy we can suggest for the prevention of extortion and unjust discrimination is the creation by Congress of a board of national railroad commissioners.

#### LOCAL AND THROUGH RATES.

To question 2: We believe that local rates in every State are too high, and through rates very generally too low.

#### PUBLICITY OF RATES AND CHANGES.

To question 3: The law should require a publication of rates, and a reasonable notice to the public of any changes. A national railroad commission is recommended by us to secure uniformity and stability of rates.

#### MAXIMUM AND MINIMUM RATES.

To question 4: Said national commission should fix minimum and maximum rates, thereby protecting the owners of the roads as well as the public.

#### ELEMENTS IN FIXING RATES.

To question 5: A volume might be written on this subject. We doubt if any two roads in the United States cost the same amount of money per mile, or are receiving a like amount of business: so that it is impossible to fix a rate just to all. The operat-

ing expenses of certain roads will be found to be necessarily greater than those of others, and the volume of business done by each road will differ from that done by any other. The question as to what are just rates on the various roads of this country is one of great difficulty and intricacy, depending on scores of facts in the history and status of each road only to be seen and understood after painstaking investigation of the affairs of each. The difficulty of the task of regulating American railways by the Government in the common interest of the people and the owners of the roads, cannot be overestimated; yet the end to be accomplished cannot fail to compensate the people of the United States for all their pains and labor in this direction.

#### REBATES AND DRAWBACKS.

To question 6: No rebate should be allowed by any road to any shipper.

#### POOLING ARRANGEMENTS.

To question 7: Pooling contracts utterly destroy competition between roads, and are always entered into for that express purpose. Where pooling is possible, competition is impossible; consequently pooling is in contravention of public policy. No legislation in this country (although they are all more or less under railroad influence) has dared attempt a legalization of this pooling system so much practiced by the roads of the United States.

Mr. DUNN. To make it fuller, I will simply add that in my opinion the pooling system should be utterly prohibited. Colonel Mann suggests to me, which I remember distinctly, that when Governor Brown was our chief justice, our supreme court held that these contracts were utterly at variance with our public policy—that they were in contravention of our public policy, and were null and void.

Senator HARRIS. The courts have everywhere so held, but still, in view of the fact that transportation companies continue to make such contracts, and they stand and have their effect just so long as the parties to them are willing to abide by them, the practical question with the committee is, shall we or not absolutely prohibit the making of such contracts?

#### SELECTION OF LINE.

To question 8: The law of the land secures to shippers the right to select the line over which their shipments shall be transported; but the roads often deny this right. Congress should see the shippers' right maintained.

#### A NATIONAL COMMISSION.

To question 9: By a national railroad commission.

#### THE LONG AND SHORT HAUL.

To question 10: We fully subscribe to the opinion of Albert Fink in his argument on the Reagan bill—"all intelligent railroad managers acknowledge that it should be unlawful to charge more for carrying property for a shorter distance than for a longer distance, whenever it would cause an unjust discrimination against the shippers of any localities." The interest of the whole country requires legislation on this subject.

#### CONCESSIONS TO LARGE SHIPPERS.

To question 11: It seems to us that the railroads of the country can well afford to give lower rates of freight for car lots than for less quantities, and should be permitted to do so.

#### UNIFORM SYSTEM OF ACCOUNTS.

To question 12: A uniform system of accounts by all roads engaged in interstate commerce would materially lighten the labor of a national commission, and be valuable to the roads and to the people at large.

#### REPORTS TO THE GOVERNMENT.

To question 13: If we are to have a national commission, an annual report under oath from all the roads would be indispensable. This report should show the earn

ings, expenses, and net income of the company. These reports should be so explicit and clear in detail that the common mind could see whence the road derived its income, and to what uses the items of expenditure had been applied.

#### WATER ROUTES.

To question 14: We hope to see the Government develop and maintain a system of water routes in any and all parts of the Union where the same is practicable.

#### A NATIONAL COMMISSION.

To question 15: To our minds the only manner of enforcing satisfactorily legislation for the regulation of interstate commerce is through a national commission.

JOHN N. DUNN,

*Of John N. Dunn & Co., Wholesale Grocer.*

ROBT. J. LOWRY,

*President.*

Senator HARRIS. Your paper is an exceedingly clear and distinct one, and prompts me to ask but one single question. You say you think that the commission should fix maximum and minimum rates. Do you mean that the commission should fix a maximum and minimum rate applicable to all roads, or a maximum and minimum rate for each and every separate and distinct road?

Mr. DUNN. Since hearing Major Wallace upon that branch of this question, I rather doubt my own answer upon the subject of rate-making by the commission, or rather I doubt the practicability of a commission making maximum and minimum rates for every State in the Union. I look upon it as an immense thing unless there should be at least nine commissioners, one representing every judicial circuit in the United States. Then we should have an immense amount of territory that we could not well reach. If we were to have nine commissioners, it would be very difficult for them to undertake to make maximum and minimum rates for the various separate distinct railway companies in the United States.

Senator HARRIS. Assuming that we have a railroad commission with the power and duty to hear all complaints and investigate the subject matter of complaints and take measures to correct and remedy all just complaints, either through the courts or otherwise, do you think it would be best to allow transportation companies to fix their own rates, to publish them, and be compelled to adhere to them until they are modified or changed after due and proper notice of the intended change? Do you think it would be better to allow the transportation companies to fix their own rates under these circumstances, and in that way exorbitant rates being as much the cause of complaint as any other cause of complaint that the citizen could make, and when that complaint is made it is the duty of the commission to investigate the subject matter of complaint, to report upon it both to the party complained of and the party complaining and to the Government, to the district attorney through the proper commissioner of the circuit, to take steps to right the wrong if the party complained of does not right it after the investigation and report of the commission?

Mr. DUNN. That certainly seems to me the most practical solution of the American railway problem.

Senator HARRIS. You think that would be a better method than for the commission to attempt to fix maximum and minimum rates?

Mr. DUNN. Yes, sir; after hearing Major Wallace's argument and his experience and his reasons for not desiring that a national commission should undertake to make those rates, I think it best that the commis-



sion should be empowered to hear complaints from every quarter of the land and to determine upon them.

#### DISCRIMINATION IN RATES.

Senator HARRIS. Do you know of any special causes of complaint that the commercial or agricultural or other people of your State have against transportation companies?

Mr. DUNN. The chief cause of complaint in our section of country is that they discriminate in favor of places rather than persons. If they are discriminating between shippers, I do not know of the fact, but they do discriminate as between places.

Senator HARRIS. Cite an instance.

Mr. DUNN. For instance, take the Southern Railway and Steamboat Association, which is a consolidation of the southern system of railways in connection with the Savannah and New York steamship line. They give to the city of Nashville what is known as the rebilling privilege. The operation of that rebilling privilege in Nashville is to give the Nashville merchant the same rate of freight to southern points that the Chicago, Kansas City, and Saint Louis merchants have. In other words it is tantamount to transferring a Nashville man's business to Chicago or to any other western point. It gives him the same rates that the houses there get, while we are deprived of that reshipping privilege. For instance, take the rate from Chicago to Atlanta on meats, which is a leading commodity in this southern country. The rate is 50 cents to-day. We will say that from Chicago to Nashville the regular local rate would be about 30 cents; I do not remember exactly what it is. For illustration, Nashville pays from Chicago 30 cents, and she can ship to Atlanta from Nashville for 20 cents additional, for she is allowed to rebill and get the benefit of a through bill of lading from Chicago, whereas if she was forced to do as we do, pay the local rate from Nashville to Atlanta, the two rates put together would amount to much more than the Chicago rate to Atlanta. The Chicago and Nashville rate added to the Nashville and Atlanta rate, if Nashville paid the local rate her sisters have to pay, would be much more than the through rate.

Senator HARRIS. Is that your most direct line of shipment from Chicago to Atlanta?

Mr. DUNN. It is one of the principal lines.

Senator HARRIS. What rates do you get now from Chicago to Atlanta over through lines, competing lines?

Mr. DUNN. It is all the same. It is all pooled. There is no getting around that iron rate.

Senator HARRIS. Your rate, then, from Chicago to Atlanta direct, would be 50 cents?

Mr. DUNN. Fifty cents.

Senator HARRIS. While the rate from Chicago to Nashville would be 30 cents?

Mr. DUNN. About 30 cents.

Senator HARRIS. About what is the distance from Chicago to Nashville?

Mr. DUNN. I am not prepared to answer. I suppose that the distance is about 400 miles.

Senator HARRIS. About what is the distance from Nashville to Atlanta?

Mr. DUNN. About 300 miles. We look upon the rebilling privilege that the Louisville and Nashville Railroad gives the city of Nashville

as injurious to her competitors down this way. We have made complaint to our State commission. We have objected before our commission to our Georgia railroad companies being parties to that Nashville arrangement, whereby Nashville gets this privilege over Chattanooga, over Knoxville, over Atlanta, over Augusta, &c. They gave us that rebilling privilege here for two or three weeks, but the Central Railroad of Georgia said it was too good a thing for Atlanta to have all alone and she gave it to Macon, to Augusta, and to other points.

Senator HARRIS. And withdrew it from you, or do you still enjoy it in company?

Mr. DUNN. No, they simply scattered it and made it applicable to the whole State.

Senator HARRIS. Do you think Atlanta has any just cause of complaint that the same privilege which is extended to other localities was extended to her?

Mr. DUNN. As far as I am concerned, I could not see that Atlanta had any right to claim that she was entitled to the rebilling privilege over and above Augusta and Macon. I do not think we could maintain that we had any such right; and when the Georgia Central gave the rebilling privilege to Macon and to Augusta we could not demur. We could not say that she had done wrong. Of course the roads that gave it to us had to abrogate it. That was their reason for abrogating the privilege here. It was a very nice thing while it existed, but I do not think we had a right to claim it, and I do not think Nashville has a right to claim it. That is in your own State, Senator, but I am talking to you as an individual.

Senator HARRIS. This committee is not looking to the local interests of any particular point, but is dealing with a great national question.

Mr. DUNN. I understand that. I do not think Nashville and Atlanta enter very largely into the question you are investigating.

Senator HARRIS. Not at all, except so far as they tend to throw light on the general question.

Mr. DUNN. In answering these questions I have tried to leave out all local feelings and interests, and answer as to what I believe to be the interests of the people, from the standpoint of a merchant.

#### UNIFORM CLASSIFICATION OF FREIGHTS.

Senator HARRIS. Please give me your opinion as to the propriety of requiring transportation companies to adopt a uniform classification of freights throughout the whole country.

Mr. DUNN. I think it would be advisable.

Senator HARRIS. Would it be advisable to require them to adopt uniform bills of lading also?

Mr. DUNN. Yes, sir.

Senator HARRIS. And prohibit their incorporating anything in the bill of lading that deprives the shipper of his common-law rights?

Mr. DUNN. Yes, sir; they should be prohibited from having any iron-clad bills of lading.

#### THE POOLING SYSTEM.

Senator HARRIS. Is there any other suggestion connected with the question that you would like to submit?

Mr. DUNN. I have simply one suggestion to make. It is now apparent that the railway systems of the United States are very soon to be unified. It seems that it will be accomplished the first day of December

next. Pool lines have taken higher ground and made stronger contracts than they ever attempted before in the history of pooling. They have gone so far as to determine that they will utterly outlaw and ignore any and all companies in the United States that do not conform to their rates. The trunk line companies, as I am informed, (I gather this from Bradstreet's last weekly number) have placed in Commissioner Fink's hands large sums of money as a bonus for the performance of this undertaking.

Senator HARRIS. As a means of enforcement of a contract that they cannot enforce by law?

Mr. DUNN. Yes, sir; and Commissioner Fink has the power to fine any refractory member of the pooling association and to reach his hand into the purse that he has subject to be drawn upon and charge it up, transfer it from their credit to the credit of the association.

Senator HARRIS. Will the commerce of the country be seriously benefited or injured by that pooling contract if it is finally executed and maintained?

Mr. DUNN. It seems to me that when this unification of the American Railway system is perfected we shall have to all intents and purposes, a railroad government under railroad rule in the House of Representatives, in the Senate, in the Supreme Court and nearly everywhere else, unless at a very early day the American people determine that they have more power than these unified railroads have.

Senator HARRIS. You think it is a question between aggregated corporate power and the American people?

Mr. DUNN. Yes, sir, as to who shall rule.

Senator HARRIS. Therefore I infer that you do not think the pooling contract very beneficial but very dangerous to the country?

Mr. DUNN. It certainly destroys all competition in their line of business from New York to San Francisco.

Senator HARRIS. Is there any other suggestion that you desire to make?

Mr. DUNN. None whatever.

Senator HARRIS. I am very much obliged for the very clear and satisfactory statement you have given us.

Mr. DUNN. I wish I was capable of answering those leading questions which the committee have propounded.

#### AARON HAAS'S STATEMENT.

AARON HAAS appeared.

Senator HARRIS. State what your business is.

Mr. HAAS. I am a broker and commission merchant.

Senator HARRIS. Here in Atlanta?

Mr. HAAS. Yes, sir.

Senator HARRIS. Proceed to read your paper.

Mr. HAAS. I will say that I have not gone into this subject very extensively. I have made my answers as short as I possibly could.

#### PREVENTION OF EXTORTION AND UNJUST DISCRIMINATION.

In answer to the first question I say: The only method of preventing the practice of extortion and unjust discrimination is by law of the United States creating a commission similar to that which exists in the State of Georgia.

## LOCAL AND THROUGH RATES.

In answer to the second question I say: The rates charged for carrying freight to this city are high in themselves, and when compared with those charged to competitive cities they become exceedingly unjust.

I wish to say here that I rather localize this issue. I knew the committee were traveling throughout the whole country and I supposed they wanted information as to each special locality, and particularly in this question I have localized the matter.

Senator HARRIS. We want information as to each locality such as will bear upon the general question of interstate commerce.

Mr. HAAS. If you ask me why I say that when compared with other localities our rates become exceedingly unjust I will answer you.

Senator HARRIS. I should be glad if you would explain.

Mr. HAAS. Take class B. The rate from the Ohio River points, which includes Louisville, Cincinnati, and Evansville, on class B, to Savannah is 26 cents, on class C 20 cents, on class D 20 cents, and on class F 40 cents. On class B the rate is 26 cents to Savannah, and to Atlanta it is 36 cents. It is 300 miles further to Savannah than to Atlanta, and the freight is hauled right through Atlanta for 10 cents a hundred less than to Atlanta.

Senator HARRIS. From what point?

Mr. HAAS. From all the Ohio River points. There is no use in running through the classes.

Senator HARRIS. The disparity runs through the classes?

Mr. HAAS. Yes, sir. Take Atlanta and Macon. On class B, 36 cents to Atlanta, 38 cents to Macon, only 2 cents additional for 100 miles. To Augusta the same difference exists. They charge 2 cents additional to Augusta, for 171 miles. We do not care so much about Savannah, because Savannah is not our direct competitor, that is, not so much so, but Macon and Augusta are our immediate competitors. I could go further; Anniston, Ala., about the same distance from the Ohio River points that Atlanta is, has a 32-cent rate against our 36-cent rate, with a population of less than 10,000 against our 50,000. It has no commercial prominence whatever and we flatter ourselves that we have. Have you anything further to ask on that head?

Senator HARRIS. I thought I would allow you to go through your answers, but, of course, you may add anything you choose to what you have written.

Mr. HAAS. I could keep up a long time on that line. I will make the broad assertion that there is not a city, a competing station, in the whole Southern country that is discriminated against as much as this city of Atlanta by the through rates made by the pool, as we call it, or, as they term themselves, the Southern Railway and Steamship Association. We have now proceedings before the commission with reference to the pool. Colonel Mynatt is the representative of the Atlanta Chamber of Commerce before the commission, and so far as we have gone we have beaten the pool. We have just commenced the fight good. We hope to destroy it before we get through with it.

## PUBLICITY OF RATES AND CHANGES.

My answer to the third question is: I think the publicity of rates should be required by law. Changes should not be made without public notice.

## MAXIMUM AND MINIMUM RATES.

My answer to the fourth question is: I think that maximum and minimum rates for the transportation of interstate commerce should be established by law or by authority of the same.

I mean by that, that if it is not found practicable for Congress to establish fixed rates, either minimum or maximum, a tribunal should be clothed with some flexible powers to regulate that matter; and I further believe that it is just as important to have minimum rates as it is to have maximum rates. I indorse fully all that Major Wallace and Colonel Dunn said on that head; that steadiness of rates is what we want more than cheap rates. We do not care about cheap rates if they are not discriminating. If we can have rates that are steady, and stable, and just, we do not care much about whether they are high or low. We want the railroads to live; we want them to make money.

## ELEMENTS IN FIXING RATES.

My answer to the fifth question is: All the elements of construction and operating a railway, as well as the amount of business it handles, should be considered in fixing the tariffs on interstate traffic. Any special advantage or disadvantage affecting a railway should also be considered.

I have nothing to add to that. That has been more fully explained by Major Wallace than I could possibly hope to explain it.

## REBATES AND DRAWBACKS.

My answer to the sixth question is: Drawbacks should be allowed on grain, hay, flour, provisions, and other bulky articles which may be reshipped from one through-rate station to another. To make my position clear I will illustrate: A dealer ships grain from Cincinnati to Atlanta at 27 cents per cwt. freight. The Atlanta merchant finds a customer in Macon; freight from Cincinnati to Macon 29 cents per cwt.; consequently he cannot afford to pay the local rate ( $8\frac{1}{2}$  cents per cwt.) from Atlanta to Macon. In order to put the Atlanta merchant on an equality with the Cincinnati merchant he should be allowed a drawback reducing the tariff from Cincinnati to Atlanta to the same rate as if billed through to Macon from Cincinnati, and should pay the same rate from Atlanta to Macon as is paid from Atlanta to Macon on direct shipments from Cincinnati.

The same rule should apply to wheat milled and its product shipped to through-rate stations.

I ought to have added, which was my intention, that no other rebates or drawbacks of any kind should be allowed.

Senator HARRIS. What reason would you assign for allowing rebates and drawbacks upon one class of freights and not upon all other freights?

Mr. HAAS. Really a drawback is not a rebate. On this question I believe Atlanta feels more strongly than upon any other you have propounded, and mainly for the reason that it is a privilege which is enjoyed by Nashville to our great disadvantage. I will show you how it affects us. We will come right down to practical business. I have today in Atlanta 30 car-loads of flour. Our market is stocked; there is no demand for it. I am debarred from the privilege of going to Macon to offer that flour because I cannot afford to pay the freight from here

to Macon, which is about 20 cents a barrel. I cannot go to Augusta, because the freight from here to Augusta is about 30 cents a barrel. I cannot go to any large town that enjoys a through rate because it pays less than Atlanta does on this Western business, or, if it does not pay less, it pays very little more. For instance, on class F, which is flour, Macon only pays 58 cents a barrel against our 54, that is to say, it pays 4 cents more than we do. Now, with a rate of freight of at least 20 cent—I am not prepared to say exactly what it is from here to Macon—how can I ship flour from here to Macon? The same thing holds good in regard to Augusta.

Senator HARRIS. I see your difficulty, but I want you to see ours. We are not dealing especially and particularly with the question of transportation between Cincinnati, Atlanta, and Macon, but we are dealing with the general question of transportation from one end of the Union to the other and all over it.

Mr. HAAS. Yes, sir; and that thing will hold good all over the United States.

Senator HARRIS. Do I understand you to say that rebates and drawbacks should be prohibited in respect to all things except the two or three commodities that you have mentioned, and should be allowed in respect to the transportation of those commodities whenever and where-soever they may be transported?

Mr. HAAS. I think they should be allowed on all bulky commodities. I do not believe that the man who lives in Cincinnati should have an advantage over me because I live in Atlanta, and that he should be allowed to go to Macon, to Savannah, to Americus, to Albany, and to Augusta and sell goods, and that I should be debarred from that privilege because I live in Atlanta, and because that particular lot of goods happens to be in Atlanta. Why should I not be placed in a position to compete with him?

Senator HARRIS. But if we undertake to regulate by law, through a tribunal, the matter of rates, how would you formulate a law that would allow rebates, and how would you limit and fix the rebate that is to be allowed if it is to be regulated by law? The information we have obtained, as a very general rule, is against all rebates and all drawbacks, because the system of rebates and drawbacks is but a method of discrimination.

Mr. HAAS. Yes, sir; that is true.

Senator HARRIS. It is but a method of changing rates, and publicity of rates, with absolute adherence to the published rates, we have been taught to believe is perhaps the great panacea for very many, if not all, of the evils of which the country complains. Now, if we incorporate a system of rebates and drawbacks in any regulation that we may adopt, does it not put the whole thing at sea and open it to any sort of discrimination that the contracting parties may make?

Mr. HAAS. No, sir; it does not. I am afraid that I have not made myself quite clear. This seems to be a new question that has been sprung on you. We are unfortunate in the use of the word "rebate." That is not a rebate; it is simply rebilling. Now, let us take a car-load of corn and start it from Cincinnati or Louisville, it is immaterial which. That car-load of corn is billed to us at 31 cents per hundred weight, of which the Louisville and Nashville receives 39 per cent., the the Nashville and Chattanooga 31.9 per cent., and the Western and Atlantic 29.1 per cent. That corn arrives here and I find there is no market. It is still in the possession of the railroad. I find a customer in Augusta for that car-load of corn. I sell it to him. I cannot afford

to pay the local freight, which is about 17 cents a hundred weight, from here to Augusta, but if I am allowed to rebill it I can sell that corn. I will show you how that works; I go down here to the agent of the State road and I tell him that he has got a car-load of corn that I want to ship to Augusta; I want him to rebill it for me. He gives me credit for the difference between 39 per cent. and 28.7 per cent., which the transportation company receives for hauling the Atlanta corn to Nashville. On the Atlanta corn he gets 39 per cent. of the whole rate, on the Augusta corn only 28.7 per cent. Then I also am entitled to a credit for the difference between 31.7 per cent. and 23.4 per cent., that is, the difference existing between hauling the corn from Nashville to Chattanooga for Atlanta and for Augusta. Of course they get less for that. After these differences have been adjusted north of here, then I am entitled to the rate which they receive on the corn from here to Augusta just as if the corn had originally been shipped from Cincinnati to Augusta.

Senator HARRIS. If our transportation companies were allowed to fix their own rates, a commission being created to hear all complaints made against transportation companies, as well as by transportation companies, would not the subject of your criticism be a proper matter to be considered by the commission as a complaint of the merchants of Atlanta, and have that commission deal with it rather than to undertake to incorporate anything in a statute to regulate it?

Mr. HAAS. I think it would be decidedly preferable.

Senator HARRIS. Proceed with your paper.

#### POOLING CONTRACTS.

Mr. HAAS. In answer to the seventh question I say that pooling contracts should be prohibited by law.

#### SELECTION OF LINES.

In answer to the eighth question I say that shippers should be allowed to select their lines of transportation.

#### EXTORTION AND DISCRIMINATION.

The ninth question, as I understood it, is simply a reiteration of the first, and my answer to the first will apply to the ninth.

#### THE LONG AND SHORT HAUL.

My answer to the tenth question is that the commission I have suggested should regulate the differential rates as to long and short hauls. I do not think that I quite understood that question.

Senator HARRIS. I will put a question to you upon that point, which is the usual question that we have put. Do you think it would be proper to prohibit by law transportation companies from charging more in the aggregate for the short than for the long haul, over the same line of road and going in the same direction?

Mr. HAAS. I think it should be prohibited by law.

#### COMMISSIONS TO LARGE SHIPPERS.

To the eleventh question I answer that no concessions should be made to large shippers except enough to pay actual additional handling

charges, and to that I want to make some exceptions. There is a certain line of freight to which this rule would not apply. I do not think that a transportation company could haul a part of a car-load of hay as cheaply as it could haul a car-load.

Senator HARRIS. You would make a car-load the unit of shipment?

Mr. HAAS. By all means make that the unit.

Senator HARRIS. Then you think the car-load should be shipped from the same point to the same point at the same rate?

Mr. HAAS. Yes, sir; decidedly.

Senator HARRIS. While a different rule would probably be just in reference to package shipments or parts of car-loads?

Mr. HAAS. I would limit that. I do not think that as a rule more should be charged for small shipments than for large shipments. I think ten barrels of sugar should go just as cheaply as a car-load of sugar, but I do not want to be understood as classing everything together so that there could be no exceptions to that rule. I have not answered any of the other questions; some of them were a little out of my line.

#### UNIFORM CLASSIFICATION OF FREIGHTS.

Senator HARRIS. Do you think it would be wise and proper to require by law all railroad companies to adopt uniform classifications of freights?

Mr. HAAS. I think it would.

Senator HARRIS. Do you think it would be proper to require the transportation companies to adopt uniform bills of lading?

Mr. HAAS. Yes, sir.

Senator HARRIS. Do you think it would be wise to prohibit by law all transportation companies from incorporating anything in a bill of lading which deprived the shipper of his common law rights in respect to shipments?

Mr. HAAS. I think that should be prohibited.

#### REBILLING OF FREIGHT.

Senator HARRIS. Is there any further statement that you would like to submit?

Mr. HAAS. No, sir; I have no further statement to submit except on the rebilling business. We are very much interested in that here in Atlanta, and I feel that all commercial communities situated as Atlanta is, with a growing business and ambitious merchants who like to spread their business and do business wherever there are customers—I can see that all such communities should alike enjoy and ought to enjoy the rebilling privilege. There is no complaint from any shipper on this account, because everybody can enjoy it the same. If a man does not choose to take advantage of it his neighbor has no right to complain. We do not ask it for Atlanta and say, deprive Macon and Augusta of it. My position is that every through trade station in the United States should have that privilege.

Senator HARRIS. What would the Macon merchant say if he were asked as to the propriety of allowing you to ship to Atlanta, experiment upon the market here, and not finding the market exactly suiting you here, letting you drop down on Macon for exactly the same that he gets there, and you get into his territory and compete with him?

Mr. HAAS. I do not know what the Macon man would say, but I can tell you what the Atlanta man would say if you talked that way about Chattanooga. The Atlanta man would say, let him come, and if we cannot hold our own with him we will move.



## M. M. WELCH'S STATEMENT.

M. M. WELCH appeared.

Senator HARRIS. What is your business?

Mr. WELCH. I am secretary of the chamber of commerce, but I wish to state that neither in this communication nor in anything that I may say, do I wish to be regarded as speaking as the secretary of the chamber of commerce. I only consented to write a paper as an individual giving my individual opinion.

Having been requested by the board of directors of the Atlanta Chamber of Commerce to give my individual opinion on some of the questions proposed in your circular of April 6, I do so, passing over some of the topics for want of clear convictions on the questions involved, and some others from the fact that the answers I shall give will indicate an implied opinion in reference to them.

## PUBLICITY OF RATES AND CHANGES.

In answer to the third interrogatory, I say: Observation confirms me in the belief that public notice in advance of proposed changes is productive of injurious results. It stimulates speculation, and forces upon the market an unnatural supply of various commercial commodities.

Senator HARRIS. Do you understand the first branch of that question, except so far as it is inferentially answered, as to the propriety of publicity of existing rates?

Mr. WELCH. No, sir; I did not contemplate my answer to refer to the first part of that question. I believe the rates should be made public.

Senator HARRIS. But, if I understand your written answer, you do not think that any public notice should be given of an intended change?

Mr. WELCH. That is what I mean. From my observation, which is of course somewhat limited on that point, it is my conviction, and has been, that notice in advance of proposed changes in rates produces ill effects.

## MAXIMUM AND MINIMUM RATES.

My answer to the fourth question is: Minimum and maximum rates should be established, which should be arrived at by consultation with organized representatives of through transportation lines.

I should like to say in connection with that reply, that as, has been demonstrated, what the shipper wants is not so much low rates as established rates.

Senator HARRIS. Stability?

Mr. WELCH. Stability of rates and uniformity of rates. The reason why I state that it should be done by conference with railroad officials is because I think it would be proper to consult them in arriving at a basis for establishing maximum and minimum rates.

Senator HARRIS. Who should fix the rates, in your opinion?

Mr. WELCH. I think if there is a commission created it should establish a basis for fixing the rates. They might not arrange the details of rates, but they could establish some legitimate basis on which the rates should be fixed.

Senator HARRIS. Would you have them fix rates for every railroad in the United States?

Mr. WELCH. No, sir

Senator HARRIS. Do you think in general, fixing the maximum and minimum rates could have any practical effect? I mean a maximum and minimum rate applied to all the railroads in the United States. If you fix the maximum so high as to enable some of the most costly roads, running through a sparsely populated country, where there is comparatively little business, to make any money at all, or to pay operating expenses, they would become exceedingly exorbitant rates upon the great majority of railroads in the country, would they not?

Mr. WELCH. I do not know that I quite understand you, sir.

Senator HARRIS. Take a road, for instance, that runs through a sparsely populated and very rugged country, that costs \$60,000 a mile to build it, and costs three times as much to operate it as it costs to operate a railroad running over the plains of Illinois. Now if you fix a maximum rate that will enable the former road to make any money at all or pay operating expenses and fixed charges, it would have to be so high that if the Illinois road, running over a flat country where there was nothing to do but to lay down cross-ties and put down the rails, and the operating expenses of which were very low because running over a plain, should come up to that maximum it would charge three or four times as much as would be a fair rate for the former road to charge. Do I make myself understood?

Mr. WELCH. Yes, sir.

Senator HARRIS. In view of that fact, do you think the fixing of one rate as a maximum and one as a minimum, to be applied to all the roads in the United States, could have any effect in regulating rates?

Mr. WELCH. No, sir; I would not regard that as a practical solution; yet I would not regard it practical to go to every railroad line to make a rate. I think certain bases of maximum and minimum rates might be established and adapted to different sections of the country. Take certain large trade centers, for instance, comprising a certain section of the country, and what rules would be applicable and just and equitable to that section of the country might not be to another section. I think it should be varied, and would necessarily have to be; yet to go into detail and make established rates for every road in the country would make the work too enormous.

Senator HARRIS. Suppose a railroad commission or some tribunal shall be created by act of Congress charged with the duty of hearing and investigating all complaints made in respect to transportation, allowing all transportation companies to make their own rates and publish them, but adhering to them while they hold them as their rates so published, letting every citizen who chooses make his complaint to that tribunal, exorbitant rates being as much a just cause of complaint as any other cause of complaint; and when the complaint is made, it to be the duty of the commission to carefully investigate the complaint in the light of all the facts and all the surrounding circumstances; and when it has so investigated and pronounced its decision, if the party in fault does not perform the decree of the commission, make it the duty of that commission to institute judicial proceedings in the proper judicial district, at the expense of the Government, to right the wrong; would that, in your opinion, be a practical and fair method of dealing with this question of rates?

Mr. WELCH. I think it would, with possibly other restrictions in reference to the establishment of uniformity of rates. If, for instance, the want of uniformity of rates, or such questions of discrimination as Mr. Haas has referred to, entered in as a just cause of complaint, if those should be regarded as proper questions to be taken up in that manner and acted upon, that would be, in my judgment, a fair solution.

Senator HARRIS. What limitations would you suggest as the ones to be imposed upon that method of fixing rates?

Mr. WELCH. I could not make any suggestion on that point.

#### REBATES AND DRAWBACKS.

Senator HARRIS. Proceed with your statement.

Mr. WELCH. In answer to the sixth question, I say: I regard the entire system of paying "rebates and drawbacks" as being a species of unjust discrimination for which there can be no valid excuse, and do not think they should, under any circumstances be allowed, except, of course, in cases of overcharge and damage, and then only to the extent of such actual overcharges and damages.

Senator HARRIS. You mean that rebates and drawbacks should be allowed only to correct mistakes?

Mr. WELCH. Yes, sir.

#### POOLING ARRANGEMENTS.

In answer to the seventh question, I say: With proper maximum and minimum rates established, I see no objections to pooling arrangements.

#### SELECTION OF LINES.

In answer to the eighth question, I say: With uniform rates established and the system of rebates abolished, I would not deem it desirable or practical for shippers to do more than select the initial and terminal roads comprised in the through lines of interstate traffic.

#### UNIFORM CLASSIFICATION OF FREIGHTS.

In answer to the ninth, I say: By having a uniform system of classification, and leaving it optional with longer lines between any two given points to charge as low rates as are charged by shorter lines between the same points.

#### THE SHORT AND LONG HAUL.

In answer to the tenth, I say: My conviction is that not only as a matter of necessity to the solvent existence of transportation lines, but also as a matter of vital importance to the agricultural and manufacturing interests of the country, they should charge a greater proportional rate for a short than for a long haul.

Senator HARRIS. Should they be prohibited from charging more in the aggregate for the short than for the long haul, going over the same road in the same direction?

Mr. WELCH. That is a question I had not thought of until since I have sat here this morning. It is my impression that they should.

Senator HARRIS. Will you be kind enough to tell me why they should?

Mr. WELCH. I think Maj. Campbell M. Wallace was clearer on that question than I could express it.

Senator HARRIS. Take a shipment from Dalton to Augusta, coming directly through Atlanta. Can you give me a reason why the transpor-

tation company should charge more from Atlanta to Augusta than from Dalton to Augusta—more in the aggregate, I mean, not more proportionately?

Mr. WELCH. No, sir; I cannot.

Senator HARRIS. Do you think anybody can?

Mr. WELCH. I do not see what reason any one could give.

Senator HARRIS. Would not the same rule apply very generally to the short and long haul, over the same line of road?

Mr. WELCH. Yes, sir.

Senator HARRIS. If that rule applies generally, why should not transportation companies be prohibited from charging more in the aggregate for the short than the long haul, going over the same road?

Mr. WELCH. I gave it as my answer that it was my opinion they should be prohibited.

Senator HARRIS. I beg your pardon. I understood you as answering the other way.

Mr. WELCH. Perhaps I did not make myself understood.

#### CONCESSIONS TO LARGE SHIPPERS.

My answer to the eleventh question is, that concession in rates should not be allowed, except possibly in some classes of manufactured products from the factories or from manufacturing points for such products.

In that connection I will explain what I mean by concessions to manufactured goods. There are sections of the country that are not commercial centers where products are manufactured largely. In order to throw the products of that manufactory into the commercial world, I believe they should have in many instances concessions in rates for the encouragement of manufacturing. For instance, take the cotton products of Augusta. As I understand, they are shipped to New York before they are thrown into the commercial circles. If that is true they should have some concessions in rates to take them from the factory to New York. Then they are reshipped from New York all over the country, when they should take the regular rates and have no concession.

Senator HARRIS. You mean manufactured cotton?

Mr. WELCH. I mean manufactured goods generally. I refer to manufactured cotton specially. Take our cotton mills here. I understand that a great many of the goods, if not the bulk of them, are shipped to New York.

Senator HARRIS. Have you wholesale merchants here?

Mr. WELCH. Yes, sir.

Senator HARRIS. Do you mean to be understood as saying that your cotton manufactories here should ship to Augusta, for instance, or to Macon, or to any other point, at lower rates than your wholesale merchants could ship the same character of freight to the same point?

Mr. WELCH. No, sir; I mean to say that if a cotton factory in Atlanta has an agency in New York, headquarters from which they sell and distribute their goods throughout the country, in order to place their goods in that agency it might be just to give some concessions in the transportation from Atlanta to New York, in view of the fact that those goods would practically pay freight twice.

Senator HARRIS. If the case were possible, if a manufacturer here shipped goods to New York from his manufactory and a wholesale merchant should ship goods to New York of the same kind and character from here, do you think there should be any advantage in the matter of transportation given to either?

Mr. WELCH. No, sir; I would not think so.

Senator HARRIS. Manufacturing companies are made up of citizens, as is the rest of the world. Do you think there should be any discrimination as between those citizens because of the business in which they are engaged?

Mr. WELCH. No, sir.

Senator HARRIS. Then would you not put every citizen, whether he be a manufacturer, merchant, planter, or what not, on exactly the same footing in shipping from the same point to the same point?

Mr. WELCH. Yes, sir; in the same line of goods, but my answer contemplates a line of goods from a given point that is shipped only by the factory.

Senator HARRIS. Proceed, Mr. Welch.

#### UNIFORM CLASSIFICATION OF FREIGHTS.

Mr. WELCH. I think that corporations should have a uniform system of classifications, varied in special localities where absolutely necessary to the successful operations of such corporations doing interstate transportation, but in the main uniform.

Senator HARRIS. Do you think all transportation companies should be required to have a uniform bill of lading?

Mr. WELCH. Yes, sir.

Senator HARRIS. Do you think it would be wise to prohibit them from incorporating in their bills of lading any provision that denies the shipper his common-law rights or interferes with his common-law rights as a shipper?

Mr. WELCH. Yes, sir.

Senator HARRIS. They should be prohibited?

Mr. WELCH. Yes, sir; decidedly.

Senator HARRIS. Proceed with your written answers.

Mr. WELCH. To the twelfth question, in reference to a uniform system of accounts, I answer: Only in reference to classifications adopted and rates charged.

#### WATER ROUTES.

In answer to the fourteenth question, I say: The Government should thoroughly develop all natural water routes.

#### PROHIBITION OF FREE TRANSPORTATION.

I will add that if there is constitutional authority for it, the entire system of free passes, free tickets, and free transportation of *every description* should be abolished entirely.

#### A NATIONAL COMMISSION.

I should say that my observations contemplate a national railroad commission, which shall stand between the people and the corporations engaged in interstate commerce, composed of men of integrity and a comprehensive knowledge of the problems of agricultural, manufacturing, commercial, and transportation interests, and commissioned by the Government to do equal justice to each of these great interests.

#### POOLING ARRANGEMENTS.

Senator HARRIS. I think you answered, in response to the seventh question, that you saw no objection to pooling contracts under proper

regulations. Would you have pooling contracts submitted to the railroad commission and approved or disapproved by the commission? Would you have the commission revise the pooling contract before it goes into effect?

Mr. WELCH. Yes, sir; I would.

Senator HARRIS. You would not think it wise to allow a pooling contract except such contract as was approved by the railroad commission?

Mr. WELCH. No, sir; I would not.

Senator HARRIS. Is there any other suggestion that you desire to submit?

Mr. WELCH. Only in that connection I wish to say that the object sought for, as has been doubtless demonstrated to your committee, is a uniformity in rates and a stability in rates. If that was not sought for through some other channel I should say, decidedly, abolish pools altogether and do not allow them under any circumstances, but if other steps are taken to secure a uniformity of rates and established rates, then I can see, as I said in my written answer, no objection to pools. I think, on the contrary, that with proper restrictions, subject to the approval of the authority of the Government, pooling arrangements might have a tendency to remove the temptation of transportation lines to engage in offering secret inducements to shippers and consequently secret discriminations.

Senator HARRIS. If transportation companies were compelled to publish rates and prohibited from any departure from the published rates or any change of rates except after due and proper notice of such intended change, and if exorbitant rates were made a subject of complaint to the railroad commission, do you not think that that would tend very greatly and go very far toward securing uniformity of rates?

Mr. WELCH. I do.

Senator HARRIS. Do you think that that would be a remedy to a very large extent, if not a perfect remedy, for most of the evils of which the country now complains?

Mr. WELCH. I hardly know what to say in answer to that question. It occurs to me that it would, but at the same time I should not like to be recorded as saying so without having given more thought to the subject.

Senator HARRIS. Is there any other suggestion that you would like to submit?

Mr. WELCH. No, sir.

Mr. DUNN. Mr. Welch has rather taken issue with the mercantile community here on the question of pooling. I know he will not take it as an unkindness when I ask him to simply state to the committee that he has recently been in the employ of the railroad companies, that he was recognized as a railroader until we employed him as our secretary. I do this to show why he looks upon these questions differently from the manner in which the mercantile community look upon them.

Senator HARRIS. Of course Mr. Welch would have no objection to that going in. I will simply ask you, Mr. Welch, how long you have been secretary of the chamber of commerce?

Mr. WELCH. About three months.

Senator HARRIS. What was your business prior to that time for the last several years?

Mr. WELCH. Railroadng.

Senator HARRIS. For how many years?

Mr. WELCH. About fourteen years. I have been in the freight service,

however, only about two years. Previous to that time I was in the passenger service. However, I do not think I am influenced by my railroad education on this question.

#### BILLS OF LADING.

Mr. HAAS. I am not a lawyer and consequently do not know exactly how it is, but I caught the idea while Mr. Welch was answering about inserting a clause in all bills of lading whereby a shipper will be obliged to waive rights which the common law gives him. Very often we waive these rights. We say we release them, and we get a lower rate of freight from that. I would not want it to be understood that we should be debarred from that privilege.

Senator HARRIS. The thing that suggested that question to my mind—and I, perhaps, have asked it oftener than any other member of the committee, and I am not sure but that I have been the only member of the committee who has asked it—was that I have seen very often bills of lading in very small print—I mean that part of the bill of lading in print so small and so crowded that few men in the hurry of life would take the trouble to read it—intended to exempt the railroad company from every liability of the common carrier at law. Even if you take the trouble to read it and see that you are required to relieve the railroad company from all of its responsibility as a common carrier, you are left with the option to accept that bill of lading, accept the contract that they tender to you, or allow your freight to lie on the roadside until you are ready to accept it or haul it off to some other point. To be sure, the courts at the end of litigation have uniformly, I believe, decided that the company could not thus force you into a contract, and they have decided these stipulations and conditions to be, as a very general rule, void, but you have to go through a tedious litigation, and an expensive litigation, in order to vindicate your rights in that respect. I am very clear myself that they ought to be prohibited by law from incorporating anything in a bill of lading that exempts a common carrier from his common-law liabilities.

Mr. MYNATT. That is our statute, but it allows the shipper and the railroad to make their own contract. The shipper signs it, and then he is bound by it, but if he does not sign it or agree to it in some way he is not bound by its stipulations.

Senator HARRIS. But this difficulty has been presented to my mind: You have 30 car-loads of flour here, and want to get them to Macon, and to get them there at once. A bill of lading is tendered to you containing these provisions of absolute exemption from all the liabilities of a common carrier, and you are forced to accept that contract or to be delayed in your shipment. The railroad has it in its power to say, "Take that bill of lading or we do not carry your freight." You can force the railroad company to carry the freight at common law upon reasonable terms and under its liabilities, but you have not got time to enter upon a litigation that may run through one, two, three, or five years to settle the question. Those are the views which have presented themselves to my mind and have induced me to call out the opinions of commercial men in respect to the question.

Mr. MYNATT. In some States the courts hold those contracts void, even if they are signed by both parties.

Mr. HAAS. They ought to be held void, because they are in a measure signed under duress.

## PRYOR L. MYNATT'S STATEMENT.

PRYOR L. MYNATT appeared.

Senator HARRIS. What is your business?

Mr. MYNATT. I am a lawyer, sir.

Senator HARRIS. Resident at Atlanta how long?

Mr. MYNATT. I have been here twenty years.

Senator HARRIS. Have you given much attention to transportation companies and matters of transportation?

Mr. MYNATT. In the course of my practice as a lawyer it has been necessary for me to do so.

## A NATIONAL COMMISSION.

Senator HARRIS. Do you think it is wise, proper, and necessary for Congress to undertake by law to control or regulate the interstate commerce of the country?

Mr. MYNATT. I think so, sir.

Senator HARRIS. What, in your opinion, would be the best method of regulation?

Mr. MYNATT. I think there should be a national commission to supervise it.

Senator HARRIS. Have you a well defined idea as to how large a commission should be created?

Mr. MYNATT. I do not know that I have. I think that there ought to be at least one commissioner for each judicial circuit in the United States.

Senator HARRIS. What powers do you think should be given that commission? I mean, should they go beyond the duty of investigating and reporting upon all matters of complaint growing out of the transportation question, or should they be clothed with powers to arrive at conclusions, pronounce judgment, and enforce their decrees?

Mr. MYNATT. I think they ought to have power to arrive at conclusions and enforce their decrees as to discriminations any way.

Senator HARRIS. Allow me to suggest that upon investigation you will find it probable that if you gave them power to enforce their decrees, no matter by what name you call them, they are in constitutional contemplation a court, and if so the members of the commission would have a life tenure. If that be true, do you think it would be wise to create a commission that would in fact be a court, the members of which would hold their offices for life?

Mr. MYNATT. No, sir; if under the Constitution of the United States it would be a court with a life-time tenure I should not create any such tribunal.

Senator HARRIS. Take a commission such as you have suggested, created with power to investigate all complaints, to report to the party complaining and to the party complained of, and to report to the Government, but if the decree of the commission is not conformed to by the party found in fault make it the duty of that commission to inform the district attorney of the proper district, make it the duty of the district attorney to institute judicial proceedings in the proper court to remedy that wrong, those proceedings conducted in the name of the Government and at its expense; do think you that would be a safe and proper policy for the Government to adopt?



Mr. MYNATT. I think it would, fixing penalties for disobedience.

Senator HARRIS. Would you make the findings of fact by the commission in its investigation *prima facie* evidence of the truth of those facts in the trial in court?

Mr. MYNATT. Yes, sir; I helped to make a law in which that is one of the provisions.

Senator HARRIS. You were a member of the Georgia legislature which passed your railroad-commission law, your regulation act?

Mr. MYNATT. Yes, sir. I think the Senator's suggestion of the right to apply to the courts, if it could be given, the difficulties of jurisdiction, perhaps, being in the way as to citizenship, in many cases that right would be a very poor one in the hands of the individual aggrieved. It would be expensive to him. He would be making a fight for the public in which, perhaps, he was less interested than hundreds of his neighbors, and grievances would never be redressed really if it was left for individuals to apply to the courts, no matter how ample the remedy might be given by act of Congress. I think it would be such a burden to the citizen that there would be very few of the grievances redressed. It is necessary, therefore, that a commission should intervene to whom he could make application and whose orders in the matter would be controlling, and if the rates are a violation of the law, or a violation of the order of the commission, they should then, through the Attorney-General or some Government authority, proceed to correct the wrong.

Senator HARRIS. Who, in your opinion, should fix the rates of transportation?

Mr. MYNATT. I do not know that I have any matured ideas on that subject as to a national commission. The difficulty of making just and reasonable rates for all the railroads and all the communities in so large a territory would be very great for any commission, no matter how composed. The difference in the price of railroads, the cost of making railroads, and the difference in the amount of freight offered to different railroads, makes it necessary that there should be a disparity in the prices charged for freight and passenger tariffs, and to make any uniformity of rates it seems to me would be impossible.

#### PUBLICITY OF RATES.

Senator HARRIS. Do you think that the rates should be published?

Mr. MYNATT. I think the rates should be published, and I am clear that they should be at least subject to the supervision of a commission, but that a commission or any other authority should attempt to make them uniform on all roads in all sections of the country, I very candidly doubt; it is not possible.

Senator HARRIS. What would you think of the policy of allowing every transportation company to fix its own rates, to publish them as fixed, compel it to adhere to them strictly while so fixed, and not to change them until due and proper notice should have been given of such intended change, giving the commission power on complaint to investigate the question of exorbitant rates as they investigate all other causes of complaint, and take the same course in respect to that as to all other complaints? Do you think that would be a policy safe to the country and to the railroad interests of the country?

Mr. MYNATT. I think it would be a very safe policy. Especially as the beginning of national legislation on the subject, as an experiment, I feel that perhaps it might be safer to adopt something of that sort.

## THE SHORT AND LONG HAUL.

Senator HARRIS. Do you think it would be wise and safe to prohibit by law all transportation companies from charging more for a short than a long haul over the same line and going in the same direction?

Mr. MYNATT. I think so, clearly.

## POOLING CONTRACTS.

Senator HARRIS. Do you think that pooling contracts should be legalized or should they be absolutely prohibited?

Mr. MYNATT. I have so much the feelings of a lawyer on that question that I do not feel I am able to answer it impartially. I have been employed to fight the pool, and have educated myself therefore in investigations of the subject perhaps to believe that pools are radically wrong. I believe that in my present frame of mind I should go for abolishing the pools.

Senator HARRIS. Prohibiting them absolutely?

Mr. MYNATT. Prohibiting them absolutely. Pooling has been declared to be against public policy in our State and in most States.

Senator HARRIS. I believe every court that has considered the subject has declared those contracts void because contrary to public policy.

Mr. MYNATT. Yes, sir. To allow a road to receive part of the earnings of another road, because they are competing lines, it seems to me is a design against the interests of the public, and I think it ought to be prohibited.

Senator HARRIS. Is there any object in pooling contracts except to silence the voice of competition?

Mr. MYNATT. There can be none other. That is all I can see, sir.

## UNIFORM CLASSIFICATION OF FREIGHTS.

Senator HARRIS. What do you think of the policy of requiring all railroad companies to adopt a uniform classification of freights?

Mr. MYNATT. It seems to me that something of that sort should be done. This thing of cutting rates, underbidding, is sometimes ruinous to the interests of railroads, and I do not know but what it is ruinous to the public, too. To have rates fluctuating as they necessarily do without that sort of stability which comes from uniformity of rates, it seems to me is not wholesome to the commercial world, or to any part of the community, indeed.

## UNIFORM BILLS OF LADING.

Senator HARRIS. What do you think of the propriety of requiring all railroad companies to adopt a uniform bill of lading?

Mr. MYNATT. If I understand the meaning of a uniform bill of lading, it is uniform as to the transportation of all articles of the same class and for the same distance. I think uniformity in those particulars should be observed and required.

Senator HARRIS. Would it be wise to prohibit transportation companies from incorporating in their bills of lading provisions relieving the common carrier from his common-law liability as such carrier?

Mr. MYNATT. I think it would be wise to prohibit them from interfering with their legal liabilities in their contracts. Those contracts

are made so rapidly, necessarily, under circumstances sometimes so pressing to both parties, that I think it would be better for the community and for the railroads, aside from the time and place of shipment and matters of that sort, that the railroads should be left to their legal liabilities as fixed by the common law and by statute. If they were like other contracts, where the parties could sit down and think about it, and talk about it, and fix it their own way, and fully understand what each was doing, and understand each other perfectly, then I should say let them make their contracts like other folks.

#### CONCESSIONS TO LARGE SHIPPERS.

Senator HARRIS. Do you think it would be just and proper to allow transportation companies to charge a less rate per mile to the man who shipped fifty cars than they charge to the man who shipped one car from the same point to the same point?

Mr. MYNATT. I have not experience enough about those matters to answer that question. It seems to me from the little consideration I have given it that the car-load ought to be the unit, but I have no very well-defined idea about it and no knowledge on the subject from experience.

Senator HARRIS. Is there any other suggestion you would like to submit?

Mr. MYNATT. No, sir; I have not desired to submit these. My friends here insisted that I should come up with them, and I have been with them in so many conflicts that I felt I could not abandon them on this occasion.

#### BRENNER, ZACHRY & CO.'S STATEMENT.

Brenner, Zachry & Co. (Crescent Flour and Grist Mills) submitted the following statement:

ATLANTA, GA., November 17, 1885.

Replies to questions of Select Committee on Interstate Commerce:

- (1) We would suggest a national commission.
- (2) The local rates are too much in excess of the through rates. We favor higher through rates and only slight difference in local and through rates.
- (3) Rates should be published and not changed without due public notice of same.
- (4) We favor maximum and minimum rates to be fixed by a commission. We are not competent to advance best method of securing uniformity and stability of rates.
- (5) In fixing tariffs on interstate traffic the different manufacturing enterprises of each section should be borne in mind and such establishment of rates made as not to jeopardize the interest of one section over another, as producers and manufacturers make the wealth and independence of the country, and their interest should be carefully subserved in railroad legislation.
- (6) Should not be allowed.
- (7) Pooling contracts should be prohibited where a division of earnings are made regardless of work done by roads sharing such divisions.
- (8) Shippers should be allowed the selection of their lines for transportation.
- (9) Answered in question two.
- (10) Only such excess as the handling would justify, and should be made public.
- (11) We favor a system of water routes, and the Government should develop and maintain them.

Respectfully submitted to the honorable committee by

BRENNER, ZACHRY & CO.

## AKERS &amp; BROTHERS' STATEMENT.

AKERS & BROTHERS (proprietors Banner Mills) submitted the following statement:

ATLANTA, GA., November 13, 1885.

DEAR SIR: In compliance with your request of the 9th instant we shall write of such rates and rules as affect us as manufacturers of meal and flour.

The present all-rail rate from Saint Louis, Mo., to Charleston, S. C., via Atlanta, on flour in barrels, and grain, is 29 cents per cwt. The rate from Atlanta to the same point is 31 cents per cwt., while the distance to Charleston is 300 miles greater. The rate from Atlanta to Charleston is 21 cents per cwt., which, added to 31 cents, the rate to Atlanta, makes a total we have to pay to reach the Charleston market of 52 cents per cwt., while our western competitors get a rate of 29 cents.

This same comparative discrimination exists to nearly every point south, southeast, and southwest of us, when we get beyond a radius of a hundred miles.

The roads interested in this traffic have been repeatedly entreated to change these rates so as to put us on an equal footing with our competitors, but they have so far declined to do it.

The railroads give to Nashville and Memphis, Tenn., and points on the Ohio River having railroad facilities, what they call the rebilling privilege; that is, the local rate into and out of those places to any given point are made the same as the through rate.

It is often the case that rates are made to competitive points without sufficient remuneration to the roads, and the deficiency thus caused made up by charging high rates to non-competitive points; and it is a well-known fact that commercial cities and localities can be built up and torn down, at will, by favorable or unfavorable rates.

The extraordinary powers which railroad officials have for good or evil should be curtailed. The rate-making power should be vested in a national commission, who should be allowed to make minimum rates, and these rates should be different on each road. They should be so much per ton per mile for the different classes of freight, with a reasonable charge for handling cars and unloading when the hauls are short, and a small increase on less than car-load lots or package freight. These rates should be made high enough to pay a reasonable net dividend on the actual cost of railways, or their intrinsic value.

When different lines are competing for business to a given point, they should be allowed to make their rates as low as the lowest total rate made by the commission. Shippers should not be allowed to route their shipments when rates are equal, except the initial and terminal roads, and when there is a bankrupt road in the line. It is important that receivers of heavy freight may get it on side tracks that are contiguous to their warehouses.

To publish a change in rates should not be allowed in advance, as it often stimulates speculation, but fifteen days should be allowed to forward goods actually bought and sold before the advance or change in rates. They should be published as soon as they take effect.

Yours truly,

AKERS & BROS.

Hon. R. J. LOWERY,  
*President.*

## CHAMBERLIN, JOHNSON &amp; CO'S STATEMENT.

Chamberlin, Johnson & Co. (wholesale and retail dealers in dry goods, carpets, millinery and dress making, boots and shoes) submitted the following statement:

ATLANTA, GA., November 17, 1885.

DEAR SIR: In response to your request we herein give you our views on the questions propounded by the Committee on Interstate Commerce.

- (1) By a general national law governing same.
- (2) Through rates low enough; local rates too high.
- (3) Rates should be published; thirty days' notice should be given before change allowed.
- (4) Such a system should be established.

- (5) The cost of roads and expense of running to be considered.
  - (6) Rebates ought not to be allowed.
  - (7) Opposed to pooling; but if allowed should be under close legal restrictions.
  - (8) Shippers should have right to select routes.
  - (9) By national railroad commission.
  - (10) They should. The commission should regulate.
  - (11) No concessions except the difference in handling large and small quantities.
- Yes.
- (12) They should.
  - (13) It is.
  - (14) It is important to develop and maintain water routes.
  - (15) Not prepared to advise the best methods.
- The above answers have been given hurriedly, but all answered as they seem to impress us.

Respectfully,

CHAMBERLIN, JOHNSON & CO.

ROBERT J. LOWERY,  
*President of Atlanta Chamber of Commerce.*

### A. C. WYLY & CO.'S STATEMENT.

A. C. Wyly & Co. submitted the following statement:

ATLANTA, GA., November 11, 1885.

*To the Select Committee on Interstate Commerce:*

GENTLEMEN: Replying to your circular of April 6, 1885, we beg to say:

(1) Congress should pass a law prohibiting any two or more railroad companies from "pooling" their earnings.

(2) A law should be passed providing for a "national railroad commission," whose duty it should be to establish maximum and minimum rates of freights and passenger fares over all the railroads in the United States, said rates and fares to be published in pamphlet or book form and distributed to all the railroad companies and to shippers and passengers who may require them. The commission to be required to give ninety days' notice of any change in freight rates or passenger fares.

(3) We are impelled to make the above suggestions from the fact that an investigation will show that Atlanta is forced by the railroad companies to pay higher freights than any other city of 50,000 inhabitants in the United States.

Respectfully,

A. C. WYLY & CO.

### OGLESBY & MEADOR'S STATEMENT.

Oglesby & Meador submitted the following statement:

ATLANTA, GA., November 17, 1885.

DEAR SIR: In compliance with your request, we respectfully submit the following answers to the inclosed circular of the United States Senate Select Committee on Interstate Commerce:

(1) Prohibit all pooling contracts.

(2) The local rates in this State, regulated by the State railroad commission, are reasonable and just to both the people and the railroad companies. The through rates, regulated by the Southern Railway and Steamship Association in the territory south of the Ohio and east of the Mississippi Rivers, are discriminating and we believe higher than is paid for similar service by any other important section of the United States.

(3) Publicity of rates should be required and ample notice given of contemplated changes.

(4) Freight rates should be regulated by the natural laws of competition.

(5) The condition and necessities of each section of the country should receive separate consideration in this connection.

(6) Rebates should be prohibited.

(7) See No. 1.

(8) The fullest liberty to the shipper should be given.

(9) By a national railroad commission, composed of the ablest and most honest material.

(10) There should be a difference in the rates in proportion to the difference in the cost.

(11) Such concessions should be made as the difference in the cost justifies, and the rates should be made public.

(12) A uniform system should be adopted.

(13) A national railroad commission should have the fullest information.

(14) It is of the highest importance for the Government to "develop and maintain a system of water routes."

(15) See No. 9.

Respectfully,

OGLESBY & MEADOR.

R. J. LOWRY,

*President Atlanta Chamber of Commerce.*

### DARWIN G. JONES & CO.'S STATEMENT.

Darwin G. Jones & Co. (brokers) submitted the following statement:

ATLANTA, GA., November 17, 1885.

DEAR SIR: I can hardly hope my answers to questions of April 6, 1885, from Select Committee on Interstate Commerce, composed of United States Senators, can be of much service, but submit them for what they are worth, viz:

(1) National railroad commission.

(2) No complaint as to actual rates.

(3) Publicity should be required by law. Due notice of change also. Natural untrammelled competition.

(4) Not necessary.

(6) No. Rebates and drawbacks should be prohibited.

(7) Should not be permitted; should be prohibited.

(8) Shippers should have that right.

(9) National railroad commission.

(10) Yes. No.

(11) (First question.) No.

(13) (First question.) Yes.

(14) Government should develop and maintain water routes.

(15) Commission should be established.

Respectfully,

DARWIN G. JONES.

Mr. R. J. LOWRY,

*President Atlanta Chamber of Commerce.*

The committee adjourned to meet on the call of the chairman.

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